FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,385 — Tuesday November 10 1987 — D 8523 A

Sweden: Where the job policies succeed almost too well, Page 2

World News

Worldwide climate threatened, Senate told

World-wide temperatures would rise dramatically in the next 20 years, with severe effects on weather and climate, unless mankind reduced its dependence on fossil fuels, scientists told a Senate hearing in Washington.

Meanwhile in Denmark a climate expert told an environmental conference organised by the European Parliament and Danish Environment Protection Agency that pollution was a "chemical time bomb" which could raise global temperatures to dangerous levels.

In Bonn, West German scientists said a three-year study had revealed that North Sea pollution was worse than presumed. The sea was absorbing heavy metals carried by winds from industries in mid-west England and the German Ruhr area.

European space row

France and Britain clashed over Western Europe's proposed space programme, with the UK suggesting that the 13 European Space Agency nations were being asked to spend large sums on projects aimed at meeting French aspirations. Page 28

N-test negotiations

The US and Soviet Union started their first negotiations in seven years on curbing nuclear test explosions. A US official in Geneva said two agreements could be ready in six months.

Lebanese peace call

More than 60,000 Christian and Moslem Lebanese tore down barriers along Beirut's "Green Line" and embraced in a united demand for an end to their war. Protestors in Tripoli, Sidon and Tyre clamoured for the Government's downfall.

Terrorist N-threat

The risk was rising that terrorists could steal radioactive materials and use them to build nuclear weapons, a US Defence Department report said.

Colombo bomb kills 32

Thirty-two people were killed and 106 wounded by a car-bomb in a suburb of Colombo, Sri Lanka, while President Junius Jayewardene was discussing two bills aimed at ending the four-year Tamil rebellion. Earlier report, Page 28

US bases discussed

Negotiations between the US and Greece on the future of the four American military bases in Greece began in Athens. The present agreement on their operation expires in December next year. Page 2

Dhaka demo violence

At least 20 people were injured when police in Dhaka used tear-gas and batons to break up crowds of opposition supporters defying a ban on demonstrations in the Bangladesh capital.

EC to aid Africans

EC ministers approved a $120m aid programme aimed at helping sub-Saharan African states pay for vital imports.

Referendums shunned

Early results indicated a low turn-out by Italians for referendums on legal reform and nuclear power. Page 3

FAO chief re-elected

Edouard Saouma of Lebanon, director-general of the UN Food and Agriculture Organisation, was elected to an unprecedented third six-year term. Page 3

Ruhr Olympics bid

West Germany's Ruhr industrial region applied to host the next available Summer Olympics, either in 1996 or later.

Robots guard church

Fourteen small robot fire engines are to be installed in an historic wooden church on Kizhi Island, Soviet Karelia.

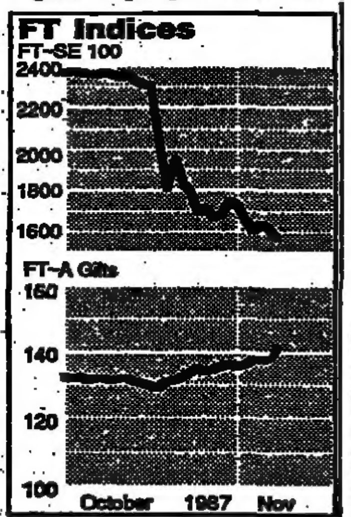
Business Summary

Toyota to expand US car plant facilities

TOYOTA, leading Japanese car manufacturer, said it would add a $300m engine and transmission plant to the $800m car assembly operation which it is already constructing in the US. Page 29

UNISYS, US computer manufacturer, has agreed to acquire Timeplex, voice/data networking technology company with earnings of $18.5m on revenues of $147.2m for year ended June 30. Page 29

LONDON: Uncertainty over the direction of the dollar and overseas markets left share prices sharply lower. Gilts surged higher on prospects for a further cut in interest rates. The FT-SE 100 index closed down 55.6 at 1,565.2 and the FT Ordinary index lost 42.0 to 1,232.0. Details Page 48



TOKYO: Worries over the yen's continued rise against the dollar depressed equities for the second successive session. The Nikkei average lost 218.64 to close at 22,418.37. Page 52

WALL STREET: At 2pm the Dow Jones industrial average was down 54.54 at 1,904.51. Page 52

DRESSER Industries, diversified US engineering group, is in negotiations with Orenstein and Koppel of West Germany to merge some of the two companies' earthmoving machinery businesses. Page 29

ROYAL Bank of Canada is holding talks with Dominion Securities and other Canadian investment dealers, but will make a brokerage acquisition only at the right time and price, it siad. Page 29

PARIBAS, recently privatised French banking group, raised profits 5 per cent in the first half to FFr973m ($170.7m), excluding minorities. Page 30

MOULINEX, troubled French kitchen equipment manufacturer, should be breaking even by the year end and is sticking to its forecast of a FFr42m ($7.37M) loss this year, after losing FFr62m in the first half of the year. Page 30

CANADIAN forest products companies, after nearly five years of strong recovery, are watching for signs of recession coming in 1989 after the US presidential elections. Page 29

MAKINO Milling, leading Japanese machine tool builder, suffered its first loss since listing its shares in 1964, with sales down 14.9 per cent to Y18.1bn ($133.8m) in six months to September. Page 31

TEIJIN, leading Japanese textile manufacturer, reported pre-tax profits jumped 40 per cent from a year earlier to Y16bn ($118.2m) even though sales dropped 12 per cent to Y155bn. Page 31

FLETCHER Challenge, New Zealand's largest forestry company, had its application to take over its major competitor, NZ Forest Products, turned down by the Commerce Commission. Page 31

PREMIER Group, diversifed South African food and milling group, reported a further 66 per cent rise in pre-tax profits to R88.8m ($45.1m) in the six months to September after a record 75.3 per cent jump in the year to March. Page 31

Small-town kid sets his sights on the political big time

Stewart Fleming in Kansas on the launch of Robert Dole's presidential campaign

"DOLE'S DOLLS" of Russell, Kansas, have become the six "grandmas for Dole" in the 27 years since they helped Senator Robert Dole win his first congressional election in 1960.

But on Sunday night they and several hundred mainly Republican wellwishers turned out in force at the Veterans of Foreign Wars building in the senator's home town to wish the 64-year-old candidate well as he prepared to launch formally a campaign for the presidency which has been in full swing for at least two years and has a $10m war chest.

The announcement came yesterday in the centre of Russell, a tiny mid-Western town of 5,000 people in the heart of the American grain belt.

Mr Dole was surrounded by neighbours and friends, many of whom will have remembered his days as a "soda-jerk," working part-time during his high school years at the local drug store. The man who most political analysts believe, and the polls show, has the best chance of denying vice-president George Bush the Republican Party presidential nomination, told them in a thinly veiled attack on Mr Bush: "I offer a record, not a resume......common sense answers to the complex questions facing America in its third century".

It is of course no accident that Mr Dole, whose sharp tongue and conservative views encouraged President Gerald Ford to select him as his vice-presidential running mate in 1976, chose once again to launch an election campaign from his home town.

In a presidential election in which political ideology is playing a minor role and questions of character and experience are being identified as more important in the minds of the voters, Mr Dole is presenting himself as the tough, hard-working, former small-town kid who can understand what ordinary Americans want from a president because he has never lost touch with his humble origins.

There can be no question about his resilience or the genuineness of his feelings for his home town. These are the people who made his political career possible, helping first to pay his medical bills as he fought to recover from the near-fatal war wounds he suffered in Italy and which left him with a right arm which he cannot use, even to shake hands.

That experience left him with a compassion for the infirm, the poor and the disadvantaged, not qualities voters traditionally identify with the Republican Party.

But Mr Dole's character has a darker side. Some in Washington are convinced that he will be unable to shake-off the "hatchet-man" image which surfaced most notably during his 1976 vice-presidential election campaign and that the acid wit

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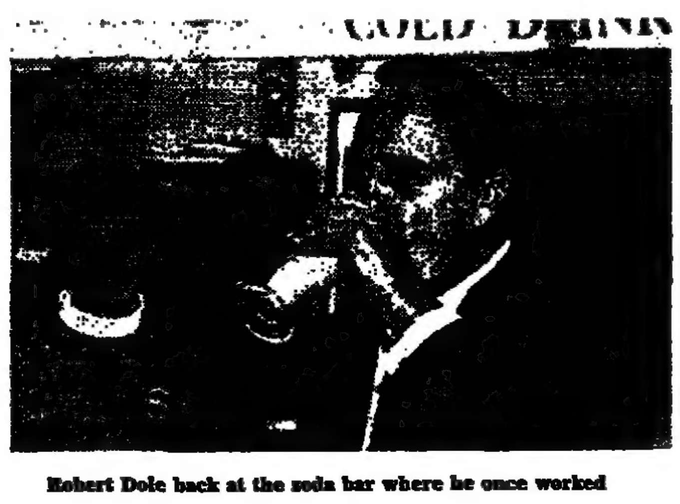

Robert Dole back at the soda bar where he once worked

Central bankers call for action to ease turmoil in markets

BY ANDREW FISHER IN BASLE, SIMON HOLBERTON IN LONDON AND RODERICK ORAM IN NEW YORK

LEADING world central bankers yesterday met to try to defuse the tension on the currency scene as the dollar hit new lows against major currencies and stock markets remained under selling pressure while investors awaited the outcome of US budget negotiations to give them a lead.

Despite several hours spent discussing the turbulence on world financial markets at their regular monthly meeting of the Bank for International Settlements, the central bankers came up with no new measures to deal with the situation.

The dollar fell below DM 1.67 in London where the stock market, which had opened weaker on nerveousness over the US budget talks, also fell further when Wall Street began trading at levels lower than those prevailing on Friday.

The BIS meeting was not designed to find solutions to the economic problems that have led to collapsing share prices and a rapidly weakening US currency.

However, in a diplomatically worded statement, the governors of the Group of Ten main industrialised nations highlighted the importance of government action, which they said they would support with "appropriate monetary policies."

This was taken to mean that central banks would, where possible, adopt an easier monetary stance to ensure that adequate liquidity was maintained in the financial system.

The bland statement made no direct reference to the US budget deficit or to the continuing high trade surpluses achieved in Japan and West Germany. Among German policy-makers, the desire for growth is generally balanced by concern over restimulating inflation.

Mr Satoshi Sumita, Governor of the Bank of Japan, said during a break in the meeting that he and Mr Alan Greenspan, chairman of the US Federal Reserve Board, wanted currency stability but had not discussed joint measures; neither had the US urged Japan to lower interest rates. Mr Greenspan had no comment to make.

The joint statement of the Group of Ten governors said they had agreed in their analysis of the present financial situation and on the policies needed to deal with it.

"They stressed the importance of moves by governments of major industrial countries to adopt fiscal policies with the objectives of reducing existing payments imbalances, promoting exchange rate stability and sustaining non-inflationary growth," the statement added.

In recent weeks, the US and especially Mr James Baker, US Treasury Secretary, has been critical of changes in German short-term interest rates, arguing that these hinder growth in Germany and work against US attempts to solve its own economic problems.

Last week, however, the West German Bundesbank said its rate for securities repurchase agreements, a method of commercial bank refinancing, would come down this week to 3.50 per cent from 3.80 per cent. It also cut its Lombard rate to 4.50 per cent from 5 per cent.

At the same time, France said its short term rates would rise. This double move was aimed at easing tensions in the European Monetary System, thus avoiding an early realignment. In an apparent reference to this action, the governors also said "they welcome the recent measures taken by European central banks, which reflect their strengthened monetary co-operation".

The governors referred to the intervention by their central banks aimed at trying to brake the slide in the dollar and restore order to markets. "They expressed their satisfaction at recent measures taken to maintain the smooth functioning of the financial system and reaffired their commitment to that end."

Mr Lamberto Dini, deputy governor of the Bank of Italy, said he doubted that there would be a co-ordinted round of interest cuts. He also dismissed any possibility of a second Louvre accord on currency stability, saying reporters could take a holiday before this would occur. As the dollar continued its slide bond prices soared on expectations of further interest rate cuts by central banks concerned to maintain liquidity at high levels to stave off the effects of the stock market crash on the economy and the securities industry.

Gilt prices rose nearly 2 points during the day in London, with long-dated indicator bonds yielding 8.91 per cent. In New York, bond prices continued to hold up well in the face of a declining dollar, with long-term US Treasuries around 8.85 per cent.

Despite the continuing slide in the dollar's value and the falls in share markets, dealers and economists said trading was subdued and volumes well down on previous days. Most trading was between dealers as retail investors stayed on the sidelines, they said.

The statement released by central bank governors failed to arrest the slide in the US currency or share markets. The lack of progress on the budget remained a deep concern to Wall Street. But this did not appear to be the main reason for the 65-point drop in the Dow Jones Industrial Average during the morning. With a lack of news, positive or negative, to drive stocks, "the market is falling under its own weight," said one market analyst.

Foreign exchange dealers also said the markets took their lead from Washington

Brazil court supports car maker's price rise

By Ivo Dawnay in Rio de Janeiro

THE HEAD-ON confrontation over car prices between the Brazilian Government and Autolatina - Ford and Volkswagen's holding company - was defused yesterday when the Federal Appeals Court (TFR) issued a preliminary ruling in the car maker's favour.

The ruling authorised Autolatina to continue charging the 28 per cent price rise it imposed unilaterally last week until a full judgment by the court's 26 judges is reached - possibly in a month's time.

It also ordered the Government to withdraw its legal and credit sanctions, applied against the company last Friday amid outraged claims in Brasilia that the manufacturer had ignored price controls in open defiance of the law.

A court official said it was fair to judge the decision as "a temporary victory" for Autolatina, but that the final outcome would only be known when the court gave a full judgment.

In fact, the interim adjudication is also likely to be greeted with considerable relief by the Government which had seen no easy face-saving route out of the row.

It will also be welcomed by industrialists who had expressed serious alarm that Brazil's capacity to attract foreign investment, already badly weakened by last February's debt moratorium, would be irreparably damaged by the case.

Autolatina had launched the court action last week in a bid to seek a ruling on the legality of a special protocol agreed between the former Finance Min-

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Brazil industrial production figures Page 4

UK and Ireland to intensify security talks

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT, IN LONDON

BRITAIN and the Republic of Ireland are expected to hold direct talks on security issues following this week's bombing in the British province of Northern Ireland in which 11 people were killed and more than 60 injured.

The timing and venue for the talks have not been disclosed but they are expected to involve Mr Tom King, the British Secretary for Northern Ireland, and Mr Brian Lenihan, the Irish Foreign Minister, and Mr Gerry Collins, the Republic's Minister of Justice. The talks are to concentrate on further improvements in cross-border security.

The British Government yesterday came under intense pressure to step up security measures within the province and to take tougher action against the IRA, which last night admitted responsibility for the explosion at the town of Enniskillen.

The IRA said it deeply regretted the "catastrophic consequences" and claimed the bomb had been set for the security forces but had exploded without being triggered.

Mr Gerry Adams, president of Sinn Fein (the political wing of the IRA) and British Member of Parliament for Belfast West, said he very much regretted an action which he would not attempt to justify.

The Dail (Irish parliament) is to consider ratification of an extradition treaty with Britain on December 1 and Mr King will tell Irish ministers that the latest series of events north of the border forcefully underline the case for its early approval.

Mr King, after making a statement on the bombing in the House of Commons which was met with angry outbursts from Unionist MPs calling for tougher, anti-terrorist measures, joined Mrs Thatcher in a one-hour meeting with a delegation led by Mr Ken Maginnis, the Official Unionist MP whose constituency includes Enniskillen.

Mrs Thatcher listened to representatives of the local community, including a survivor of the explosion, repeatedly call for better security and the introduction of selective internment for suspected terrorists.

The Prime Minister pledged the Government's continuing commitment to maintain security in the province, but said that it could not act on emotion and had to consider what would best reduce terrorism. Ministers are not thought to be actively considering internment as a preventative step, although it remains an option.

Earlier in the Commons, Mr Maginnis said he had been devastated by Sunday's bombing and "doubly devastated" by Mr King's statement which, he said, offered only platitudes and represented "a total let-down" for his suffering constituents. All they had been offered was a further abdication of the responsibilities of the Northern Ireland Office and the British Government to the government of a foreign state.

Mr King made clear the Government's belief that, despite setbacks like Enniskillen, it was making slow but steady progress in the fight against terrorism and called for closer, inter-

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Lawson optimistic on outlook for G-7 currency co-operation

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT, IN LONDON

THE GROUP of Seven nations could meet to reaffirm last February's Louvre accord within a week or so of any deal in Washington which secured a credible cut in the US Budget deficit, Mr Nigel Lawson, the UK Chancellor of the Exchequer, said yesterday.

Further reductions in British interest rates would be a "distinct possibility" as part of a package to give a new lease of life to international co-operation, he said. The Government would be much more reluctant, however, to loosen significantly its fiscal policy if the recent turmoil on financial markets had a more damaging impact on Britain's economy than at present seemed likely.

In an interview with the Financial Times, the Chancellor appeared optimistic that the seven - the US, Japan, West Germany, France, Britain, Italy and Canada - will secure a new accord to promote currency stability.

Comments last week by Mr James Baker, the US Treasury Secretary, suggesting that Washington was prepared to see the dollar fall were aimed primarily at assuaging domestic concerns about the possibility of a recession. The US Administration would want to see February's agreement "reinstated" once it had secured a budget package, he said.

The Chancellor added that Thursday's move by the Bundesbank to lower its Lombard and repurchase rates had met his earlier criticism that the West German central bank had been too inflexible in its monetary policy.

He gave a clear hint, however, that West Germany would face pressure to push interest rates lower still in the event of a meeting of the Group of Seven.

Mr Lawson, who has kept in close contact with Mr Baker over the past week, appeared optimistic that the Administration would secure a deal with Congress to reduce the deficit. He repeated, however, that the $23bn reduction envisaged in the Gramm-Rudman-Hollings law should represent only the start of the "bidding". There was also a tremendous symbolic importance attached to the need for some element of tax increases in the package.

Once a deal was agreed in Washington, there would have

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BARRE PUTS HIS RIVALS ON THE SPOT

Mr Raymond Barre, who wants a law to allow public financing of political parties in France, Page 2

Barre puts his presidential poll rivals on the spot

BY IAN DAVIDSON IN PARIS

MR RAYMOND BARRE, currently the leading right-wing candidate for next spring's French presidential election, has stepped up his campaign pressure on Mr Jacques Chirac, his Gaullist rival, by calling for legislation to allow public finance for political parties.

The question of party finances has become an important political issue, as a result of the series of political scandals which have been pushed into the newspaper headlines in recent weeks. One of the central allegations in *l'affaire Luchaire*, the scandal which reached a new peak last week, was that arms sold to Iran when the Socialists were in power had helped finance the Socialist party.

The timing of the emergence of new details on the Luchaire scandal seems plausibly to have been engineered to throw the maximum discredit on the Socialist party and, indirectly, on President Francois Mitterrand. Mr Mitterrand is still ahead of all other political figures in the presidential race - if he decides to stand. Many observers have assumed that the re-launching of this scandal just now was designed by the Gaullists in the hope of deterring him from standing.

The most immediate impact, however, has been to draw attention to the lack of any effective rules governing party finances in France, and to the widespread assumption that there is something more than a little tacky about the finances of the political parties.

As a man without an established party machine, Mr Barre is well placed to use this issue to claim that his moral credentials are superior to those of his rivals on the right and the left. Over the weekend he promised that, if elected next May, he would hold a referendum on public finance for political parties, with a ceiling on the level of electoral expenditures.

All of a sudden, Mr Barre's initiative has triggered a series of improvised and often conflicting statements on party finances, with the Gaullists showing the greatest embarrassment. Mr Pierre Mehaignerie, president of the Centrists and Minister for Equipment and Housing, argued for a committee of inquiry to produce a report by the time of the election. But the senators in his party yesterday tabled a rather cautious draft law, which would not provide for state contributions to political parties but would make political contributions tax-deductible.

The Gaullist party, widely assumed to have the richest source of funds from the business sector, has reacted without initial enthusiasm to any of these ideas. Mr Edouard Balladur, the Finance Minister, argued over the weekend against public funding, and he was echoed by Mr Charles Pasqua (Interior) and Mr Alain Juppe (Budget), both of whom questioned innocently if it would be wise, in a period of austerity, for the taxpayers to foot the bill.

It seems unlikely, however, that the Gaullists can really afford to adopt too tough a line on this issue. The latest Sofres opinion poll, published in the Nouvel Observateur weekly, shows that French politicians enjoy a very low reputation with the general public, especially for their financial dealings.

Of those questioned, 48 per cent thought the world of money had more power than the President, 36 per cent thought that politics was not a very honourable activity, and 56 per cent thought that politicians were mainly concerned by their personal interests.

Prague softens its view of Dubcek

By Leslie Colitt in Berlin

CZECHOSLOVAKIA'S leader, Mr Gustav Husak, has hinted that a reassessment has taken place in the official view of Mr Alexander Dubcek, the reformist party leader in 1968 who was ousted after the Soviet-led occupation of country.

A senior Soviet historian, Mr Georgy Smirnov, caused a stir last week when he spoke of a need to "think over the events of 1968, the intervention."

In another development, a Soviet official acknowledged that Mr Dubcek sent a telegram congratulating the Soviet leader, Mr Mikhail Gorbachev, on the 70th anniversary of the Bolshevik revolution.

The former Czechoslovak party secretary lives as a retired Forestry Ministry official in Bratislava.

In a speech in Prague marking the Soviet anniversary, Mr Husak, who succeeded Mr Dubcek, digressed from his main theme and spoke of the "crisis" which had developed in Czechoslovak society in the 1960s. His speech, delivered last Friday, has only just become fully available in the West.

Confront crisis

He noted that the party tried to "actively confront" the crisis at a central committee session in January 1968. Although he did not say so, this was the meeting which elected Mr Dubcek to become First Secretary of the Czechoslovak party, replacing the disgraced Mr Antonin Novotny.

Mr Husak explained that the results of the central committee session "presented the possibility" of solving a long overdue need to "perfect the administration of society and the economy." Diplomats in Prague said this amounted to the first political reassessment of Mr Dubcek's rise to power since the present leadership replaced him in April 1969.

However, Mr Husak noted that thanks to the "weakness" of the party leadership and the activity of "right-wing and anti-socialist forces" the crisis deepened.

Significantly, he failed to mention the Warsaw Pact intervention in August 1968 which, until last year, was repeatedly cited by the Prague leadership as a positive step taken by Moscow to avoid "counter-revolution." Mr Husak also omitted reference to any "lessons from the crisis," which until now was obligatory in official remarks about the events of 1968.

Sara Webb looks at employment policies that are becoming almost too successful

Commitment to jobs keeps Sweden at work

THE BIGGEST problem currently facing Mr Stig Nystroem, part-owner in a Swedish family-run fittings business, Nystroems Beslag, is shortage of labour, both skilled and unskilled. His two factories in southern Sweden have plenty of vacancies to fill and to deal with the work in hand he has had to take on 16-year-olds fresh from school and increase the amount of work done on overtime.

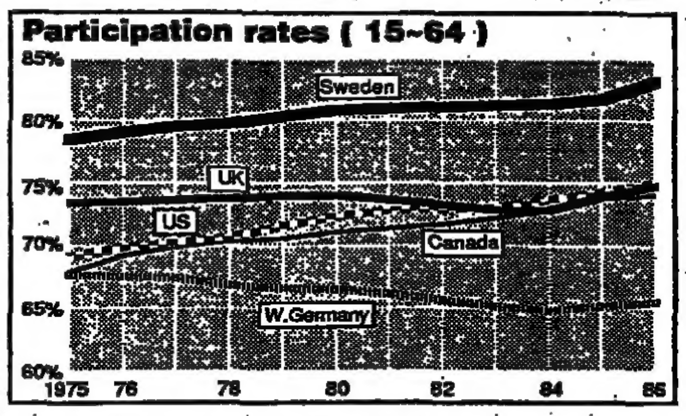
While in other parts of Europe, employers often find that job vacancies are heavily oversubscribed, in Sweden the grumbles commonly heard from employers are about the shortage of people for medium and highly-qualified jobs, such as skilled blue-collar workers, technicians and engineers.

Sweden's unemployment rate fell to 1.7 per cent in September - 76,000 out of a total workforce of 4.45m - one of the lowest in the OECD area. Even in the worst-hit part of the country - the northernmost district known as Norrbotten - unemployment is only 5 per cent.

All of the political parties believe in giving high priority to employment and are under strong pressure from the powerful trade union movement to do so. Labour market policy is closely integrated with the ruling Social Democratic party's economic policy and great emphasis is placed on training and services for the unemployed, using the employment offices, youth schemes and unemployment benefits.

Even if those involved in training programmes, relief work and work schemes for the handicapped are excluded from the employment figures, the unemployment rate is still only about 4 per cent.

Participation rates (15~64)



Sweden's employment-population ratio is high at 80 per cent, compared with 67.9 per cent for the US and 65.1 per cent for the UK. This is chiefly because of the high participation rate for women. Last year, 81 per cent of all women aged 16 to 64 were in the labour force, close to the 86 per cent participation rate for men.

There are several reasons why women have made such an impression on the workforce. The growth of the public sector in the 1970s - which accounted for about 75 per cent of the increase in employment - meant more jobs for women in the hospital and childcare sectors.

At the same time, conditions have improved for women who want or need to work. Childcare facilities are cheap and widely available and training programmes and labour market policies have helped women to find jobs. The percentage of women in labour market training schemes rose from about 20 per cent in the 1960s to nearly 50 per cent in the 1980s.

> While in other parts of Europe, employers find job vacancies are heavily oversubscribed, in Sweden the grumbles are commonly about the shortage of blue-collar workers, technicians and engineers

In addition, changes in the tax system mean that spouses are now taxed separately and with individual allowances, rather than per household, which has made it more financially rewarding for women to work.

"Youth teams" introduced in 1984 have had the biggest effect on youth unemployment - up to then unemployment had been highest in the 18 to 19-year-old age group.

The youth team system means that the employment office has three weeks to find a job for an 18 or 19-year-old. If they are still unemployed after three weeks, the municipality must find them work, usually in the childcare, school or hospital sectors, usually for four hours a day. The "wage" is equivalent to what they would receive in unemployment benefit and is fully subsidised by the state. If they refuse to take the job, they have no entitlement to benefits.

The teams have proved highly successful in reducing the number of registered unemployed teenagers. "The only problem is that some youngsters find the youth teams too pleasant and they don't want to move on to a proper job," according to Mr Ake Dahlberg, assistant under-secretary at the labour ministry.

He believes that an active labour market policy combined with the way the unemployment benefit system operates, has played an important part in discouraging long-term unemployment, which has fallen from about 28 per cent of all unemployed in the early 1980s to 24 per cent last year.

A person who belongs to an unemployment benefit fund is entitled to benefits for 300 days, if they are below 55 years old. If after 300 days they still do not have a job, they have a legal right to a temporary job from the employment office for six months, which then enables them to qualify for a new round of unemployment benefits.

If an unemployed person refuses to take work offered by the employment office, this is reported to the unions or insurance fund - and it is then up to the fund to decide whether to continue paying benefit. "The employment office can offer several job and training opportunities and put pressure on the person to take a job - it is not easy for people to misuse benefits," Mr Dahlberg says.

Government expenditure on labour market programmes amounts to some 3 per cent of GNP, with the most emphasis today being placed on the employment service and training.

Some 5,400 people are involved in counselling or direct placement activities in the employment offices - roughly one for every 14 unemployed, or one for every 825 in the labour force. By contrast, in Britain last year, there were about 8,000 Manpower Services Commission staff involved in the employment service - roughly one for every 375 unemployed or one for every 2,600 in the labour force.

The employment offices build up company contacts so that they have someone who is familiar with every big company in the country and knows about the company's requirements and training schemes. This allows them to offer training subsidies if the company is willing to employ a long-term unemployed person, handicapped person or other people with special difficulties.

Greek-US talks on bases open

By Andriana Ierodiaconou in Athens

GREEK and US negotiators held their first meeting here yesterday on the future of the four American military bases in Greece. The present agreement on their operation expires in December next year.

Yesterday's one-and-a-half-hour meeting was devoted to "organisational and administrative matters." Afterwards the two delegations announced their agreement on a timetable of monthly, four-day negotiating rounds starting next January.

The Greek Socialist Government is officially opposed to the presence of the bases, but has said it is willing to enter into a new agreement provided one is reached which serves Greece's national interests. In addition, the agreement will be submitted to a referendum before final signature.

Government officials have expressed pessimism in the run-up to negotiations, however, on the prospects for accord. Mr Andreas Papandreou, the Prime Minister, said on Sunday that he was "not at all certain" that the negotiations would yield a new agreement.

Mr Karolos Papoulias, the Foreign Minister, predicted a few days earlier that the talks would be "long and difficult," given that the two sides held "diametrically opposed" starting positions.

The Greek Government has said it intends to link the renewal of the bases agreement with US policy on Greek-Turkish differences in the Aegean and Cyprus. The American side has stressed that it is opposed to linking the bases issue with matters involving third countries.

Bishops warn of dangers to Poland

By Christopher Bobinski in Warsaw

THE POLISH bishops, meeting at the weekend, have warned that the country is in an "exceptionally dangerous and difficult" situation. They are demanding radical economic reforms as well as political changes.

The message is not specific, but the church has greater political freedom in mind, as well as economic reforms much along the lines proposed by the authorities.

However, the bishops stopped short of expressing an opinion on whether or how to vote in a national referendum on November 29 in which the Government is seeking support for reforms which will reduce many people's real living standards.

The bishops merely say that the present situation should be resolved "by a common effort undertaken by the whole population."

They also forbear to comment on the prospects for the establishment in Poland of a christian democratic political party which would be autonomous but subordinated to the Communist Party.

This is being mooted by some Catholic moderates who will no doubt discuss the idea with Mr Flaminio Piccoli, head of the Christian Democrat international organisation who is scheduled to arrive in Warsaw on Thursday and is expected to see General Wojciech Jaruzelski, the Polish party leader.

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Saouma wins surprise third term at FAO

BY JOHN WYLES IN ROME

Saouma: big margin

MR EDOUARD SAOUMA, the 61-year-old Lebanese, yesterday trounced Mr Moise Mensah from Benin to secure a controversial third six-year term as director-general of the UN's Food and Agriculture Organisation.

His winning margin of 94 votes to 59 in a secret ballot at the FAO's biennial conference confounded the confident predictions of Mr Mensah's supporters, who included leading donor countries such as the US and Britain, that their man was set to displace the incumbent.

One plausible theory explaining the size of Mr Saouma's victory is that the 42-nation African bloc deserted their candidate in significant numbers, despite the strong backing promised him by the Organisation of African Unity.

In the end the stigma of appearing to be the donor countries' candidate in an organisation with its share of "north-south" divisions may have been too great a handicap for the challenger, currently an assistant vice-president at the International Fund for Agricultural Development.

For his part, Mr Saouma is respected by many Third World governments as a strong leader who tends to put their interests first. Allegations that in so doing he is actually weakening the organisation's effectiveness clearly carried little weight.

Nevertheless, his victory could lead to severe internal strains within the FAO unless he moves to head off donor countries' criticisms of his allegedly autocratic style and failure to develop priorities.

Mr Saouma's acceptance speech was a coded response to his critics. He laid great stress on the unprecedented number of problems facing the UN system and put particular emphasis on the US failures to make its full contributions to the FAO's budget.

On paper these amount to 25 per cent of the 1986-87 budget of $437m but delays imposed by the Congress have allowed the payment of only $33m of the $100m allocation.

As a result, the FAO's treasury was in a "terribly precarious" situation, claimed Mr Saouma. He acknowledged the calls for a review of the organisation's structure and methods but pointed out that they were not being made by all 158 member nations, implying that the margin of his victory marked the general level of satisfaction with the FAO's performance.

Gorbachev to visit Belgrade next month

By Aleksander Lebl in Belgrade

THE long-awaited visit of Mr Mikhail Gorbachev to Yugoslavia will take place in December after his summit trip to Washington, Mr Besko Krunic, president of the Yugoslav Communist Party, said yesterday after his return from Moscow.

Mr Gorbachev agreed in principle on a visit some time ago but a date had never been fixed. The last visit to Yugoslavia by a Soviet leader was in 1980.

The meeting is expected to confirm the Belgrade and Moscow declarations of 1955 and 1956, which assert the right of all parties and states to their own independent internal and foreign policies.

Yugoslavs, who have been experimenting with economic decentralisation and political openness for many years, feel vindicated by the move towards reform in the Soviet Union and by recent statements by Mr Gorbachev that there is no leading party in the Communist movement, nor uniform policies for all.

There is a feeling that success for Mr Gorbachev would strengthen the position of Yugoslavian reformers, and that his failure would give a new impetus to Yugoslavia's conservatives. Even if Soviet reform continues, however, the severe problems facing Yugoslavian "self-management" may serve as a useful example of the pitfalls it needs to avoid.

Discussions will also concern bilateral trade, in which Yugoslavia's deficit exceeds $1.5bn. The volume of trade has not come down but the value of Soviet exports, mainly oil and gas, has done so.

As the two countries have a bilateral clearing arrangement, trade has to be balanced within two years. Since the Soviet side cannot find other goods to import, Yugoslavian exports will have to be curtailed and overall trade, projected at $35bn over 1986-90, is going to suffer.

● In the first week of November the Yugoslav dinar was depreciated by 13.43 per cent against a basket of seven currencies of its main Western trading partners. Since the beginning of the year depreciation amounted to 140.3 per cent.

POLITICIANS CONCERNED AT REBUKE BY VOTERS

Low turnout in Italian referendum

BY JOHN WYLES IN ROME

ITALIANS boycotted last weekend's referendum on nuclear power and legal reform in greater numbers than ever before, while delivering the comfortable majorities requested by most political parties.

Early results suggested that little more than 65 per cent of those eligible actually bothered to vote. At this level, turnout was far lower than in the four previous popular polls held since the referendum was introduced in Italy in 1970.

Before the poll, it was clear that many Italians were confused about the issues at stake and unable to understand why the politicians could not sort them out through normal parliamentary procedures.

Leading politicians were clearly uneasy about the turnout last night, some hinting that it was a predictable rebuke from the electorate. The Socialists and the Radicals - two of the parties most anxious to have the referendum - blamed the mass media for depicting the exercise as fraudulent and the fact that Italians are unused to voting in the autumn.

Although parties representing more than 90 per cent of the votes registered in the last general election campaigned in favour of "yes" votes to four of the five referendum questions, the actual majorities look likely to be smaller.

All of the questions were about whether or not existing legislation should be struck from the statute book. The question which has generated most heat - the law imposing very tight limits on the disciplining of magistrates for professional misconduct - was receiving around 80 per cent in favour of its removal by early evening.

The three laws touching on nuclear power which radicals and ecologists have treated as a plebiscite on whether or not Italy should retain and add to its existing three nuclear stations were all also heading for burial.

One which will allows the Government to overrule local authority opposition on the siting of a nuclear station was showing a majority fort its removal of around 81 per cent.

A second allowing the payment of incentives to persuade communities to accept a nuclear station was heading for a majority in favour of removal of 80 per cent. The third, which allows Italy to take part in the Superphenix fast breeder, reactor project in France looks likely to be struck down by a majority of around 71 per cent.

Well over 80 per cent of votes cast backed the call to do away with a special parliamentary committee which is supposed to inquire into allegations of wrongdoing by politicians. All say they want to replace this by a more credible institution.

The volume of spoiled ballots was being watched with great anxiety by the top management of RAI, the Italian radio and television service, after an extraordinarily embarrassing performance by one of their star performers on Saturday night.

Adriano Celentano, a balding pop star who hosts RAI's most popular variety programme, "Fantastico," interrupted the live transmission to deliver a diatribe against hunting which ended with an appeal to voters to write "hunting is anti-love, we don't want it" on their ballot papers.

Mr Celentano was rapidly informed behind the scenes that he might have broken half of the nation's electoral laws, since he was inciting people to spoil their ballot papers. He went back in front of the cameras to deliver a *mea culpa*, urging people instead to write anti-hunting missives to President Cossiga containing the phrase: "We are children of the seal, don't make our mothers cry."

Kohl urges CDU to close ranks

BY DAVID MARSH IN BONN

CHANCELLOR Helmut Kohl of West Germany Chancellor yesterday called on his governing Christian Democratic Union (CDU) to close ranks after a run of political setbacks culminating in this autumn's "dirty tricks" scandal in Schleswig Holstein.

In a mainly defensive speech to the party's annual federal congress, he said the scandal had thrown a shadow over the country's political scene. Politicians would have to show "soberness and sensitivity" to win back voters' condifence.

Confirming doubts about his leadership style among delegates to the party's annual federal conference in Bonn yesterday, he was re-elected to the CDU chairmanship yesterday afternoon with a reduced majority. He won 579 votes from delegates with 82 against and 55 abstentions and one invalid vote. In the last party election in March 1985, Mr Kohl won a 687-45 vote with 15 abstentions.

Mr Kohl, facing one of his most difficult party conferences in 14 years as CDU chairman, urged his party to come to terms with the lessons of the murky affair in Schleswig Holstein, the country's northernmost state. This led to the suicide last month of Mr Uwe Barschel, the state's former Prime Minister, who was accused of organising an electoral smear campaign to discredit the leader of the Schleswig Holstein Social Democratic Party.

The Chancellor, whose party has suffered a falling share of the vote in a string of elections this year, was given only a reluctant standing ovation at the end of his speech.

He made a further call for an end to the internal squabbling about law and order, defence, human rights and the economy which damaged the three-party Bonn coalition during the summer and autumn. In an apparent rebuke to Mr Lothar Spaeth, the Prime Minister of Baden Wuerttemberg, who gave a critical interview about the Government's tax cutting plans to Der Spiegel magazine during the summer, Mr Kohl said some publications were an "unsuitable" medium for such remarks.

He said power brought dangers and called on the party to reflect both on possible mistakes and on a fairer way of treating its political adversaries. "We are all responsible that our democracy is not damaged," he said.

Mr Heiner Geissler, the Christian Democrats' general secretary, referred to the scandal in more robust terms, saying the party was facing "a crisis of consciousness and of confidence."

Mr Kohl mentioned only fleetingly and in highly general terms the turmoil on world financial markets and the risks for West Germany's export-oriented economy. The turbulence underlined, he said, "that we must stick to our clear, future-oriented and reliable economic policy."

He maintained an attack on the East German leadership by calling it a Communist dictatorship. He pointed, none the less, pointed to the Bonn Government's achievements in improving travel possibilities for East Germans to visit the West as an important success in "strengthening German togetherness."

Soviet criminal code may drop internal exile

A GOVERNMENT committee rewriting the Soviet criminal code wants to abolish internal exile as punishment and to reduce the number of offences punishable by firing squad, Mr Boris Kravtsov, Justice Minister, announced yesterday, AP reports from Moscow.

He also said the committee had proposed a shorter maximum prison term, and that consideration was being given to broadening the rights of defence lawyers, presumably to provide them with better access to information obtained during criminal investigations.

The Tass news agency gave few details

When the new criminal code is prepared, it will probably be debated and revised by senior Communist Party members before being presented to the Supreme Soviet for approval.

The Foreign Ministry said in February that the Russian Republic's criminal code, which serves as the basis for legal codes throughout the USSR, was being reviewed and revised.

It added that the committee was considering removal of "anti-Soviet agitation and propaganda" from the list of punishable offences.

EC farm trade threatened by failure of radiation level talks

BY QUENTIN PEEL IN BRUSSELS

THE COLLAPSE of negotiations to agree common safety standards for radiation in EC food imports in the event of a nuclear accident could disrupt farm trade severely between member states, officials in Brussels fear.

Diplomats warned yesterday that it may prove impossible to negotiate any common long-term system, with a deadlock between the position of West Germany, demanding the strictest possible standards, and that of Britain, France and Spain, insisting on a more relaxed regime.

The emergency meeting of EC ministers summoned on Sunday night failed to narrow the gap between the protagonists, and therefore failed to reinstate the safety standards imposed on EC food imports in the wake of the Chernobyl nuclear disaster.

The member states are now relying on a "gentlemen's agreement" involving 11 of the 12 - Greece has not accepted it - not to impose any radiation standards stricter than the post-Chernobyl regime. That deal has been prolonged until November 24, to give the full foreign ministers meeting another chance to agree.

The whole debate on what constitutes "safe" levels of radiation has become caught up not only in arguments aboutscientific evidence, but also in the extent to which reassurance of public opinion must be taken into account, and the continual battle for power between the institutions of the EC.

Britain, France and Spain have hitherto blocked any continuation of the present post-Chernobyl regime until agreement is reached on a long-term policy, based on the proposals of national experts.

All three argue that the long-term standards - which would be imposed automatically in the event of any future Chernobyl-type accident - must reflect the conclusions of the Euratom Article 31 committee. Whereas the levels fixed in the wake of Chernobyl were of only 370 becquerels per kilo (bq/kg) for caesium in dairy products, and 600 bq/kg in other foods, the Euratom scientists recommended 4,000 and 5,000 bq/kg respectively.

West Germany, backed most strongly by the Netherlands, Luxembourg, Portugal and Ireland, wants the present strict levels maintained.

Politicians both in the European Parliament, and in the national parliaments in West Germany and other member states, have argued that even the present regime is too lax. Britain and France fear that if for once the scientific advice is blatantly ignored, future rules on the nuclear industry will be set on the basis of political pressure

The European Commission had sought to present a compromise formula - with permissible radiation levels set at 1,000 and 1,250 bq/kg respectively - while admitting that they were partly to reassure public opinion. Early on Sunday evening that compromise looked possible, with Britain, France and Spain set to move. But West Germany refused to relax its stance at all.

No one is yet sure just how much food trade could be disrupted if there is no agreement by November 24, but many officials fear the worst.

Greece in particular faces a huge problem, because it now has 600,000 tonnes of soft wheat in store, containing more than the permissible level of radiation.

AMERICAN NEWS

General Pinochet

Pinochet's promotions strengthen his band of army loyalists

Chile's President is still promoting his supporters, reports Mary Helen Spooner

LAST MONTH during a luncheon with army generals in the La Moneda palace, General Augusto Pinochet, the Chilean President, distributed two works by anti-communist authors. One was a thirty-five page pamphlet entitled *Chilean Christian Democracy: Communitarian or Socialist?* The other was *Victory Without War: Moscow's Attempts at World Domination* by Count Hans Van Huym. Several of the Chilean officers present asked for extra copies of the books.

The recent round of promotions among the Chilean army's corps of generals has further strengthened Gen Pinochet's position in one of the most hierarchical and rigidly disciplined military institutions in Latin America.

This support becomes crucial as the commanders of Chile's navy, air force and national police have repeatedly indicated they will not support any plan to prolong Gen Pinochet's presidency after 1989, when his current term in office ends.

The new list of 53 generals released in a brief communique by the Chilean defence ministry indicated that, with few exceptions, only those officers in whom Gen Pinochet has complete confidence have been placed in strategic posts.

Of the 11 generals acting as either division commanders or vice-commanders, almost all have held previous posts in Santiago in which they worked closely with Gen Pinochet and, presumably, demonstrated their loyalty.

The key post of army inspector general, one of the few offices involving contact with all army units, has gone to Gen Alfredo Calderon, another officer whose adherence to Gen Pinochet's leadership is not in doubt.

The only possible dissenter among the new appointees is Gen Roberto Soto, the new army chief of staff and former military rector at the University of Chile.

General Soto's civilian successor at the university had attempted to undertake a cost cutting and restructuring programme which provoked weeks of student and professor demonstrations and sharp criticism even from conservative political circles.

In the minds of some officials, General Soto was at least indirectly responsible for this unrest and one regime functionary commented that "a certain Marxist infiltration" had taken place at the University of Chile under his administration.

For these reasons Gen Pinochet was reportedly reluctant to promote Gen Soto, who is due to retire in another year. But his army career had been impeccable and he was widely respected by other Chilean officers.

The US, which cut off military training programmes and arms sales to the Pinochet regime in the mid-1970s, has sought to renew some of its contacts with the Chilean army in an effort to gain influence and possibly nudge the military toward democratic reforms.

But the Pinochet regime seems well aware of these intentions.

Last month four Chilean army officers arrived in Washington under the US Information Agency programme for foreign visitors. A Chilean military analyst predicted that such overtures were unlikely to produce the intended effect of increasing US influence

He suggested that a more effective course for the US to take would be to improve relations with the country's navy and air force, while turning a cold shoulder to the army. Such a stance might more clearly demonstrate what the Chilean army stands to gain or lose from its relations with the US, he said.

At present the Chilean army seems unlikely to liberalise of its own accord.

Sarney faces growing criticism over debt accord with banks

A DEBT ACCORD between Brazil and its bank creditors is under attack from the country's main opposition party, placing President José Sarney's beleaguered Government under fresh political strain, Reuter reports from Sao Paulo.

Last week Brazil signed a preliminary agreement which in effect ended the interest moratorium on the country's $70bn foreign bank debt which President Sarney announced in February.

Brazil undertook to pay $1.5bn interest arrears in exchange for $3bn in short-term loans.

Under strong pressure from the banks, the Government also undertook to seek an International Monetary Fund programme and gambled it could sell the package to the majority Brazilian Democratic Movement Party (PMDB).

But the PMDB traditionally opposes any agreement with the IMF, and party president Mr Ulysses Guimaraes, generally considered a more weighty political figure than President Sarney, has maintained silence on the debt accord negotiated in New York. Such silences normally indicate strong disapproval, and other party figures are grumbling openly.

"The PMDB will have great difficulty accepting what is published (in the agreement)," said Mr Fernando Henrique Cardoso, party leader in the Brazilian Senate.

Another prominent PMDB senator, Mr Severo Gomes, said in an article published in Sunday's Folha de São Paulo newspaper: "This is an agreement which cannot be kept. The PMDB will have its say. Brazil has abandoned the moratorium in exchange for nothing. We handed over our great trump card in the debt negotiations for a plate of lentils."

A straw poll of ordinary Brazilians displayed growing disenchantment with President Sarney's Government.

"It was the worst thing that Brazil could have done because who will make the rules now will be the IMF," said Ms Sarah Moraes, an unemployed secretary in São Paulo. "Sarney will be alone now. The PMDB won't support the Government any more."

"The Government's problems are going to triple now," said Mr Mauricio Moraes, a manager in the shoe industry. "The people are against going to the IMF."

Teacher Ms Neuza Santana said she expected the IMF to introduce rationing in Brazil.

The Government had severe problems before last week's debt announcement, and the nation's cartoonists have revelled in President Sarney's difficulties. They depicted President Sarney hanging by one hand to a flimsy branch growing out of a cliff, lying dismembered on the floor with nuts and bolts scattered about him and wading through water up to his chin.

"You don't need to have a very sensitive nose to perceive that the Sarney Government has started to decompose," said Mr Luciano Martins de Almeida, political science professor at Campinas university.

Record inflation, now expected to be about 380 per cent for 1987, has seriously undermined the Government's credibility and even raised questions about the survival of democracy.

Democracy returned to Brazil in 1985 after 21 years of military dictatorship with high hopes that the new civilian Government would build a fairer society and tackle the problem of mass poverty.

Opinion polls make clear the degree of disillusionment. A poll carried out by Folha de São Paulo and published on Sunday showed that 32 per cent favoured a return of the military, with 58 per cent against.

The same number, 32 per cent, favoured a socialist revolution, with 50 per cent against.

Industrial production in Brazil falls sharply

BRAZILIAN industrial output is falling rapidly, with September figures showing a seasonally adjusted 6.3 per cent decline against the same month last year, according to government figures, writes Ivo Dawnay.

The data, showing the fourth successive monthly fall, compares with a period of record activity in the Brazilian economy during last year's price freeze, which highly overheated consumer demand.

Nevertheless, the underlying downward trend in the third quarter combined with mounting inflation and unemployment is worrying economists. According to one analysis, the year-end figures are likely to the worst since 1983 with industrial growth over the 12 months unlikely to exceed 0.5 per cent.

Mr Luiz Carlos Bresser Pereira, the Finance Minister, has revised down Brazil's target for overall growth from an original 6 per cent to 3.5 per cent of gross domestic product.

Seasonal factors, including a fall off in coffee sales, are also expected to hit October's trade figures.

US ready to intervene over jump jet project

By David Buchan, Defence Correspondent

THE US Administration is ready to try to save its biggest single Nato arms collaboration programme - the Anglo-American AV8B version of the Harrier jump jet - from becoming a casualty in the drive to reduce US public spending and the budget deficit, officials said yesterday.

But government officials and executives of McDonnell-Douglas, co-producer of the AV8B with British Aerospace, stressed that Administration intervention might not be needed. Negotiators of the Senate and the House of Representatives, seeking a compromise defence authorisation bill, have not yet agreed to "zero out" some $500m for the 32 AV8B aircraft requested by the Administration in the coming year, though they are likely to do so if total agreed defence spending for the 1988 fiscal year drops below $290bn.

Even elimination of one year's funding for the AV8B programme, which is essentially a McDonnell-Douglas refinement of the UK Harrier design to suit the needs of the US Marine Corps, could cause major problems for the programme, McDonnell-Douglas said yesterday.

It would also affect not only BAe, which makes part of the airframe, but UK companies such as Rolls-Royce which supplies the engines, Smith Industries which is providing cockpit displays and Dowty which is providing part of the AV8B's landing gear.

However, the AV8B Harrier programme has been hit before and has survived. In the the late 1970s the winds of opposition blew from the Pentagon. Ironically, it was Congress that then kept it going.

The lobbying on Capitol Hill for the AV8B programme is being forcefully led by the Marine Corps and ex-Marines such as Senator John Glenn, against the jump jet's main current opponent, Representative Les Aspen, chairman of the House Armed Services Committee. Another aircraft which could be marked for the chop by defence budget cutters is the US Navy's A-6 attack aircraft made by Grumman.

The total value of the McDonnell-Douglas and BAe programme to produce 326 AV8B aircraft for the US Marines and 60 Harrier GR Mark Five aircraft for the Royal Air Force is put at $12bn, with the US paying $9bn. It is therefore virtually the only US collaborative programme with a Nato ally, whose elimination could make a significant contribution to closing the US budget deficit.

By the same token, however, it has acquired a symbolic significance of the Administration's much-publicised drive to open US defence procurement to foreign collaboration, officials in Washington concede. This goes beyond the considerable British interest in the programme.

Salinas again calls for clean elections

By David Gardner in Mexico City

MR Carlos Salinas de Gortari, the Mexican regime's choice to succeed President Miguel de la Madrid next year, again on Sunday called for clean elections. He made the call amid municipal elections, marred by renewed opposition claims that the Government was continuing to use ballot rigging and intimidation.

Mr Salinas was speaking at the congress of the ruling Institutional Revolutionary Party (PRI) which formally proclaimed him the 70-year-old regime's presidential candidate.

In his keynote acceptance speech, the former planning minister said Mexico required a new, modern political culture, which took account of the sophistication of Mexican society. He implied that the very survival of the system depended on this.

Mr Salinas repeated his promise of clean elections, first delivered to a PRI rally two weeks ago, which has become the cornerstone of his campaign. "We will respect all the triumphs of the opposition. But we will defend, one by one, each of our victories," he told the congress in Mexico City.

Meanwhile in the neighbouring State of Mexico, both the left and right-wing opposition parties claim that the PRI was busy stealing elections for the local legislature and 121 municipalities. In one incident, pro-regime trade unionists were alleged to have opened fire on opposition vote-monitors trying to remove a ballot box.

Similar incidents took place in elections in the northern border state of Coahuila, an opposition stronghold, two weeks ago, two days after Mr Salinas publicly admitted that the northern states did not believe in PRI victories.

He called for an end to the ruling party's practice of "clean sweeps" at the polls. The local PRI leadership in Coahuila then announced outright victory in every contest in the state.

The PRI has never conceded a significant office at the polls and many political analysts here are beginning to suspect that the party old guard is trying to underline, through the conduct of the Coahuila and State of Mexico contests, that it is not about to start now.

Israeli president visits Washington

PRESIDENT Chaim Herzog of Israel opened talks yesterday with Mr George Shultz, US Secretary of State, AP reports from Washington.

The visit is the first to Washington by an Israeli president and will be largely ceremonial. However, he is expected to touch on the condition of Jews in the Soviet Union, Syria and Ethiopia, as well as on peace prospects in the Middle East.

Court candidate scrutiny

BY NANCY DUNNE IN WASHINGTON

THE REAGAN Administration is running into difficulty with conservatives in its attempt to find a third candidate to fill the vacant seat on the US Supreme Court.

Judge Anthony Kennedy, a Californian appeal court judge and the leading candidate among those who may be nominated, was reported as being questioned at the Justice Department, which has been roundly criticised for failing to check thoroughly Judge Douglas Ginsburg, the second nominee.

Judge Ginsburg withdrew his nomination at the weekend after admitting that he had smoked marijuana. Judge Robert Bork, the first nominee, was rejected by the Senate.

Conservative Senator Jesse Helms, who has blocked other nominations, said he would fight against Judge Kennedy being confirmed, and Senator Orrin Hatch indicated his lack of enthusiasm for the judge in a television interview.

dhi attacks Lanka over lation plan

IN NEW DELHI

ll, the Indian erday accused o meet the ex- nd's Tamil mi- nal legislation luced into the nt today. livering a long Lankan situa- arliament, dur- sed an outspo- il Tiger extre- t attacks on ci- an troops and agreement be amil ethnic is-

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hat the Presi- dent had only given "firm assurances that, if, over the coming months, difficulties arise, the Sri Lankan Government will make such changes as are found necessary."

This could cause problems among Tamil communities both in Sri Lanka and in the southern India state of Tamil Nadu. It might also sharpen attacks on Mr Gandhi's policies planned by India's opposition parties for the winter session of Parliament which began last Friday.

● The lower house of India's Parliament yesterday approved a six-month extension of the system of President's Rule in the troubled northern state of Punjab where about 1,100 people have been killed this year.

President's Rule, which puts the state under the direct control of New Delhi, was imposed on May 11

on ground on Gulf des Arab summit

IN AMMAN

Hussein yes- ver a gruel- t session at ate sought to nd on issues as the Gulf

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t a Gulf War t into sharp rgency sum- rotagonists - and Syria's al-Assad. Mr port for non- long-running put him at of his Arab lieved to be precise reso- avoid giving shran.

Western observers in Amman are gloomy about prospects of a solid resolution on the Iran-Iraq war that would help underpin UN efforts to bring about a ceasefire in the long-running conflict.

The West, notably the US and Britain, have been pressing for an arms embargo against whichever party to the conflict fails to implement a Security Council call for an immediate ceasefire and withdrawal to pre-war boundaries.

Iran and Iraq have been locked in complicated diplomatic negotiations with Mr Javier Perez de Cuellar, UN Secretary-General, but indications are that the two sides remain far apart.

Iran is demanding that Iraq be named the 'aggressor' before it is prepared to agree to a ceasefire. Baghdad, which is willing to accept an inquiry into the origins of the war, says this condition is unacceptable.

Meanwhile, Iraq is maintaining its criticism of the Arab summit, issuing its second hard-line message in two days.

Bank in bid to Zambia economy

IN LUSAKA

the World o visit Zam- urgent talks nt on how to y, which has ollowing the n economic in May. of the Inter- Fund are on the heels nission in an le President o return to a lget austerity alisation. Lusaka once towards the oured by the officials be- urrency, the valued in the y as much as 40 per cent from the present rate of K8 to the US dollar.

In May Dr Kaunda broke with the IMF, revalued and fixed the rate of the kwacha, reintroduced price controls and severely restricted payment of foreign creditors.

Since then flows of foreign aid money have been sharply reduced, leading to widespread shortages (the World Bank has suspended disbursment of new money because of Zambian arrears now totalling some $42m). The IMF has declared Zambian ineligible for further funds because of arrears of SDR291.5m and exporters, including the vital copper mines, have been adversely affected by the currency revaluation.

New broom sweeps into power in Tunisia

By Francis Ghilès in Tunis

MR ZINE El Abidine Ben Ali's decision to remove the 87-year-old Tunisian head of state from office was taken last Friday after Mr Habib Bourguiba told his then Prime Minister of his decision to reopen the trial of 90 Islamic activists which ended last month.

Two of the defendants were hanged while the leader of the Movement of the Islamic Tendency, Mr Rashid Al Ghannoushi, was sentenced to hard labour for life.

Mr Bourguiba was infuriated by the refusal of two of the judges to condemn Mr Ghannoushi to death. The former head of state said he hoped 50 of the 90 defendants would be condemned to death.

Two former ministers, Mr Mohamed Sayah, a traditional hardliner, and Mr Mancour Skhiri, supported the President. The rest of the Cabinet and Mr Ben Ali were only too aware that such action could easily lead to serious unrest in Tunisia. The first two days of Mr Ben Ali's presidency have been marked by the release from house arrest of Mr Habib Achour, the veteran union leader and the return from exile in France of Mr Driss Guiga, who was Minister of the Interior until the bread riots of January 1984.

Other prominent exiles such as Mr Mohamed Masmoudi, Minister of Foreign Affairs at the time of Tunisia's abortive union with Libya in January 1974, are also expected to return.

Members of the family of Mr Mohamed M'Zali, the former Prime Minister who fled into exile in September 1986, have had their passports restored.

The leading opposition parties, such as the Movement of Social Democrats, have welcomed Mr Ben Ali's accession.

The former head of state for his part is expected to leave the presidential palace in Carthage shortly for a residence near the southern port of Sfax, where the new prime minister, Mr Hedi Baccouche, has made clear he will be treated with all the respect due to the founding father of modern Tunisia.

For the political class, what had become in recent weeks a nightmare, and one which many feared would erupt into civil strife, is at an end.

Those former ministers, such as Mr Mohamed Sayah and Mancour Skhiri and other members of the presidential entourage such as Mr Mahmoud Belhassine who calculated that backing the ageing leader in all circumstances would one day win them power, have lost what proved to be a reckless gamble.

The new Tunisian government is full of talent. The Prime Minister, Mr Hammam Sousse, is a wily yet thoughtful politician who has been responsible for conducting delicate negotiations with Libya.

He is also highly respected in Algeria, which matters, as Tunisia has, since 1983, a close relationship with its powerful western neighbour.

The new Minister of Foreign Affairs, Mr Mahmoud Mestiri, is a skilled diplomat who has been Secretary of State on and off over the years.

The new Minister of Education is Mr Tijani Chelli. He will need all the support he can muster to reform an education system whose quality has been severely eroded in recent years.

Mr Ismail Khelil, recently appointed Governor of the Central Bank, remains.

Good results this year belie the outlook, Andrew Buckoke reports

Clouds gather for Kenyan economy

THE KENYAN economy appears to be defying gravity. Despite the drop in tea and coffee prices this year and the rise in oil prices, growth of over 5 per cent is expected to be maintained. Both the Government and World Bank agree that the balance of payments deficit will be limited to around $20m, compared with last year's surplus of $90m.

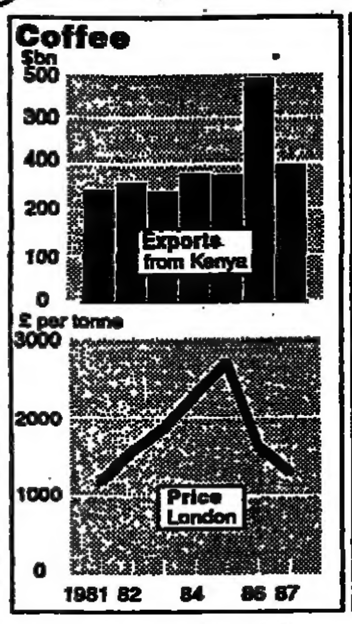
Though such a record is the envy of most African nations - especially in Uganda and Tanzania, where war and mismanagement respectively have devastated their economies - the future is far from rosy.

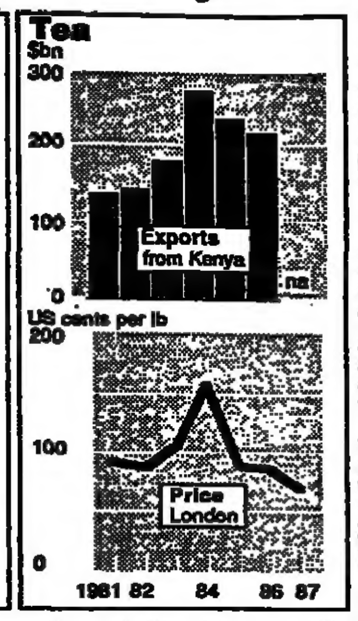
This year's good performance is largely a carry-over from the boom in 1986, when high coffee and tea prices combined with record tourism earnings and low oil prices to boost growth to 5.7 per cent from an average of 3.4 per cent in 1978-85. Earnings from coffee, long the country's primary source of foreign exchange, are expected to drop from $490m in 1986 to under $300m this year.

Tourism may move into first place for the first time with an expected improvement over last year, when 650,000 visitors brought in a record $310m. Despite a serious decline in occupancy rates at coast hotels due to concern about AIDS in Kenya, greater interest in activity holidays means the more lucrative safari business inland is booming.

But if tourism and non-traditional exports such as horticultural produce can cushion the country from fluctuations in coffee and tea prices, they cannot protect it from long term declines.

This year's balance of payments position would have looked a lot worse but for the planned reduction of foreign exchange reserves by $110m, from three-and-a-half to two-and-a-half months' import cover. Such measures cannot be repeated and Kenya is negotiating with the International Monetary Fund for $170m from a standby





credit and structural adjustment facility loan to help cover an expected balance of payments deficit of $150m-$200m in 1988.

The loans are likely to be granted, given Kenya's good record for servicing its $4bn debt, but donors, who have been committing about $500m a year in aid, have become increasingly concerned by Kenyans' large overseas holdings. The IMF estimates $1.28bn is held in non-bank external accounts, while some estimates of the total involved go as high as KSh80bn (£2.76bn).

This concern was one of the reasons for a crackdown on illicit foreign exchange transactions, in particular the failure to remit tourism and export earnings. So far only five executives of the Bank of Credit and Commerce International and Biashara Bank of Kenya and two coffee traders have been charged with failing to remit a total of KSh1,032m in foreign exchange earnings from coffee.

The fact that they are all Asians has led to fears that the 80,000 strong community, which dominates private sector business, will provide the scapegoats despite the general belief that Kenyans of all races are heavily involved.

Kenya seems to be doing all the right things for the IMF. A steady slippage in exchange rates has already devalued the Kenya shilling by over 30 per cent in the past year and the black market premium is a relatively modest 20 per cent. Private enterprise is encouraged.

The Government has promised to take measures facilitating foreign and local investment and to reduce progressively import barriers to increase the competitiveness and export capacity of the manufacturing sector. It has promised to reduce the role of the state corporations and do away with price control on all but the most basic goods.

In practice, however, there remain great problems both with the basic structure of the economy and the implementation of the proposed remedies. At their root is the country's 4 per cent population growth rate and the shortage of unused fertile land - only 17 per cent of the total land area is described as arable.

Manufacturing industry offers the only hope of giving jobs and incomes to the 300,000 school-leavers a year, but even in the 1986 boom only 20,000 formal jobs were created. Though the industrial sector grew by 6 per cent last year, its share of gross domestic product has only increased from 8 per cent in 1964 to 13 per cent in 1986.

Yet there is strong opposition to the Government's declared policy of reducing import barriers because of the threat to profits of more competition. Many local companies are controlled by people with high political connections. Even with balance of payments support from the IMF and bilateral donors it may prove impossible significantly to reduce import barriers anyway unless there is a dramatic improvement in Kenya's terms of trade. Despite new procedures streamlining import licence applications, companies report increasing difficulties getting approval even for essential machinery and spare parts.

The reduction of the role of the parastatals is another area where the Government has promised but not yet delivered much action. The details of proposed reforms of the National Cereals and Produce Board, whose vast overheads contributed heavily to the jump in the government deficit from 4 per cent to 7 per cent of GDP last year, are promised by the end of the year.

But the question remains whether the country's leaders have the political will to push through the necessary reforms while Kenya has the resources to undertake them, or whether they will be swayed by the short term gains.

Kim names martial law general as adviser

By Maggie Ford in Seoul

MR KIM YOUNG SAM, the South Korean opposition leader, yesterday surprised voters at his party's nominating convention with the announcement of a new supporter - the military commander who was overthrown by President Chun Doo Hwan in the 1979 coup.

General Chung Sung Hwa, who is to become a permanent adviser to Mr Kim's Reunification Democratic Party, was martial law commander and army chief of staff in Seoul after the assassination of Mr Chun's predecessor in 1979. He was briefly jailed in the early days of the Chun regime.

His decision to support Mr Kim adds strength to the widely held view that the South Korean military now wishes to refrain from intervention in politics. Gen Chung appears to be regarded as a man devoted to the professional role of the army.

Mr Kim yesterday said that he was the only presidential candidate who could guarantee to remove the military from politics. In his acceptance speech he promised to heal the scars of regional discrimination, and make efforts towards reunification with the communist North, including joint participation in the Olympic Games next year.

Stressing his plan to run a government free of corruption, he pledged to continue South Korea's economic growth but to spread the benefits more fairly. He reiterated his view that the candidate of the ruling party, Mr Roh Tae Woo, must take responsibility for his role in the 1979 military coup which brought Mr Chun to power.

Mr Roh is to be questioned on this matter in an interview with senior South Korean journalists later this week.

WORLD TRADE NEWS

Gatt panel upholds EC complaint over Japan's spirits taxes

BY WILLIAM DULLFORCE IN GENEVA

A GATT disputes panel has ruled in favour of a complaint by the European Community that Japan's taxation system discriminates against imported whiskies, brandies and wines.

Japan should be told to bring its taxes into conformity with the General Agreement on Tariffs and Trade, the panel recommends in its report, due to be submitted to the Gatt Council today.

Last month, when preliminary reports on the Gatt ruling were leaked in Tokyo newspapers, Japanese trade officials in Geneva warned of its explosive implications for domestic politics.

The panel's finding marks an important victory for the EC in its campaign to force Japan to liberalise its markets. Community exports of spirits to Japan amount to less than Ecu 200m (£154m) a year, but the EC Commission in Brussels has seen the whisky row as a test case.

The Japanese may block adoption of the panel report by the Gatt Council, which acts by consensus.

The powerful Japanese drinks industry is a substantial financial backer of the ruling Liberal Democratic Party. The tax regime sharply favours *shochu*, the strong local spirit.

However, the Japanese will have to consider that failure to act on a Gatt ruling would allow the EC to retaliate. They may also find it embarrassing to ignore a Gatt decision after they have been expressing strong support for improvements to Gatt, including to its *dispute* settlement mechanism.

Tokyo could decide to implement the partial reform of taxes on spirits and wines, which the Japanese Finance Ministry proposed last December and which the EC then rebuffed. It is even less likely to satisfy Brussels after the Gatt panel report.

Apart from dismissing an EC complaint that the labelling of Japanese liquor and wines misled consumers, the panel comes down almost unreservedly in favour of the Community's arguments.

It agrees that Japanese grading subjects imported whiskies and brandies to internal taxes in excess of those applied to "like" domestic products.

Under the Japanese system, imported bottled whisky and brandy fall into the special grade which is much more heavily taxed than domestic first and second grade products.

Ad valorem taxes on imported wines, spirits and liqueurs, which are considerably higher than taxes on "like" domestic *products*, were *inconsistent* with Gatt's article III.

US calls for probe into meat directive

By Our Geneva Correspondent

THE US is expected to ask the Gatt Council this week for a disputes panel to hear its complaint that the European Community's third-country meat directive is inconsistent with Gatt rules.

The directive, due to come into force on January 1, would require all meat exporters from the US and other third countries to comply with more stringent hygiene and handling requirements than those imposed on domestic producers within the EC, the US claims.

A two-tiered system is currently operated in the EC. An intra-community directive (ICD) applies to plants shipping meat to other EC members. But community members can maintain their own meat-handling rules for *plants that do not export to EC* members.

No more than 30 per cent of EC beef and 20 per cent of its pork is shipped across borders under the ICD. But the third-country meat directive would effectively extend the ICD requirements to the US and other third countries.

This violates Gatt's rule that imports of "like" products should be accorded the same treatment as national products, the US charges.

The new EC measure is not a response to any health problems connected with US meat exports, the US claims.

Peter Montagnon looks at an unconventional loan package for an Airbus sale to Canada

Wardair ties the knot on novel finance deal

MR MAX WARD, the Canadian entrepreneur, remarked proudly last week that Wardair, the airline which bears his name, has come a long way from its early days flying war brides across the Atlantic.

Later this month it will take delivery of the first of 12 new Airbus A310 aircraft destined to help develop its profile as a scheduled domestic and international Canadian carrier. Last Friday it signed a novel $504m (£283m) loan agreement to finance this purchase, which both it and its bankers believe has broken new ground in the complex world of airline finance.

Co-ordinated by National Westminster of the UK and Banque Paribas of France, the loan is the largest ever raised by Wardair. For European export credit agencies it also marks a departure from the traditional conventions under which they guarantee such business. Bankers involved say the deal is a triumph over three serious obstacles facing Wardair as it looked to finance its purchase.

The first was its low capitalisation - at the time only C$75m (£33m). The second was its need for Canadian dollar funding, which is not normally permitted under international rules for officially-guaranteed aircraft finance. The third was its desire for the longest possible maturity.

According to Mr Adebayo Ogunlesi, a vice-president of First Boston, the US bank which advised the company, the first problem was dealt with by a decision to increase the airline's capital through a C$125m sale of subordinated voting shares and to reduce the overall financing requirement by a downpayment of 25 per cent compared with the normal 15 per cent of the US$672m total purchase price.

The downpayment, which is being financed through the sale of existing Wardair aircraft, will enhance the relative value of the Airbus aircraft as security for the main financing.

This did not, however, make the financing a pushover. Wardair has a policy of owning aircraft, not leasing them. It was not satisfied with the 12-year maximum maturity on officially guaranteed aircraft loans and it wanted Canadian dollars to minimise foreign exchange risk. This meant tapping the domestic Canadian bond market because long-term swap opportunities in Canadian currency are strictly limited.

The result was a deal which, sceptics say, reeks of financial sleight of hand. Its structure carefully obscures the way in which the risk of the still rather highly-geared Wardair has been shared out among participants.

For two of the export credit agencies involved, Britain's Export Credits Guarantee Department and Coface of France, the deal is, however, the first in which they have offered what is technically known as "pure cover." This is a guarantee without associated financing that can be used to back up issues in the capital market.

Bankers say an initially cautious Coface was prevailed upon by the French Finance Ministry to make this move. According to Mr Don Twyford, project group director, the deal

was an example of ECGD's greater flexibility. The agency had been looking for ways to balance its risk portfolio by writing more business in better-rated countries.

Yet even then the decision was not easy. First, according to Mr Michel Magny of Banque Paribas, both agencies were "sensitive" to pricing and reluctant to see their guarantee used for Canadian market borrowings over which they had no direct control.

Second, rules on aircraft financing established by the Organisation for Economic Co-operation and Development require amortisation in equal six-monthly instalments, while bond investors generally prefer a bullet maturity in which repayment comes in one lump sum.

Hence the need for the banks to bridge the gap. Under the deal, which all parties stoutly maintain conforms to OECD rules, the two export credit agencies have made their guarantee available to participating banks who will use it to back up their own letters of credit in support of bond issues in the Canadian market. But the guarantees will amortise according to the conventional schedule regardless of the maturity structure of the resulting bonds.

After 12 years the export credit agencies will be out of the deal altogether. Then, to extend its maturity to 15 years, a separate $130m refinancing credit will come into play, backed by a deficiency guarantee from Airbus Industrie, the manufacturer, to insure the value of the aircraft should a default occur which necessitates their sale. This is the riskier part of the deal for which banks will receive a higher 35 basis point fee compared with the 25 basis point commitment fee on the main transaction.

Arguably this convoluted structure would have been unnecessary without the restrictive OECD rules. "To make an airline accept a repayment of 12 years doesn't make economic sense," says Mr Tony Ellam of National Westminster.

At a time when most people involved in airline finance are worried that the bull market in second-hand aircraft has reached its peak, few agencies would like to change the agreed repayment schedule because it means their risk would increase.

Some, such as ECGD or the US Eximbank might support longer maturities, though with the qualification that this should be on a pure cover basis to avoid the extra cost of interest rate subsidy.

Others, however, worry that longer maturities are all well and good for prosperous airlines operating in countries where the capital markets have some depth. But once established for these airlines it would be hard to refuse them for poorer borrowers where the risk of default is greater.

The Wardair deal also has another unusual feature. Because West German rules require funding for export credits to be funded locally, the West German portion of $201.6m is being provided directly by the state-owned Kreditanstalt fuer Wideraufbau and will not be raised *in the Candian market.*

Toyota plans engine plant for Indonesia

BY JOHN MURRAY BROWN IN JAKARTA

TOYOTA of Japan is to set up an engine manufacturing plant in Indonesia at a cost of $75m. Mr Tatsuro Toyoda, president of the motor group, said the new plant would produce 72,000 engines for the Kijang commercial vehicle, with 50 per cent of output for export to Japan.

Mr Toyoda said the plant, which is to be in production by 1990, would make use of Indonesia's low labour costs.

This is Indonesia's first engine-making facility and is a timely boost for the country's motor industry, which has suffered a dramatic decline in domestic sales and spiralling debt costs following the appreciation of the yen and the 45 per cent devaluation of the Indonesian rupiah last year.

The high yen has also added to the cost of knockdown components imported from Japan. Meanwhile, domestic input costs like plastic and steel have remained high.

More than $460m has been invested in the industry since the mid-1960s, and over 20 foreign companies, mostly Japanese, have linked with local partners to produce some 45 different models.

Mr William Suriadjaya, chairman of PT Astra, Toyota's Indonesian partner and the country's largest producer, predicted that "sales will increase substantially once the industry is supported by domestically-made engines."

Earlier plans to develop a domestic industry, by increasing the number of components made locally, coincided with the fall in local demand and have been postponed indefinitely.

Car sales fell from a peak of 220,000 units in 1982 to around 150,000 last year. The Government has since abolished duties on several imported components.

In a move to reduce excess plant capacity which the Automobile Association says is running at 41 per cent, producers are allowed to diversify product lines without prior approval. Next year Indonesia also hopes to export 20,000 Lincahs - a four-wheel drive utility vehicle - to the US.

ROYAL DUTCH/Shell Group is investing 180m ringgit ($40.5m) in new facilities at its Port Dickson refinery in Malaysia, which will include raising its capacity to refine local crude oil to 100 per cent from the present 60 per cent, Reuter reports from Kuala Lumpur.

The company said that the move was expected to contribute towards foreign exchange savings of about Rg20m annually. The extension is expected to be fully operational by February 1988.

Its present capacity to produce bitumen will also be raised to meet the country's road construction requirements.

Taiwan approves broad tariff cuts for 1988

BY BOB KING IN TAIPEI

PROPOSALS for sweeping tariff cuts on more than 3,500 items will almost certainly be enacted by Taiwan's parliament early next year.

The Finance Ministry's proposal which have been approved by the Cabinet is aimed at soothing Taiwan's main trading partners, who are demanding increased access to this market. The government is also aware that a more open market will help upgrade Taiwan's economy and industries in the long run.

The cuts will bring Taiwan's average tariff level down from 20 per cent to 12 per cent, but most foreign analysts say that still more needs to be done before Taiwan can claim to have totally liberalised its trade policies.

The 3,500 items represent more than 80 per cent of the total on Taiwan's tariff schedules. They include such consumer items as garments, shoes, colour televisions and video tape-recorders, as well as industrial, agricultural and food products.

The US, which has been especially vocal in demanding tariff reductions and the lifting of other trade barriers, has threatened sanctions against Taiwanese exports.

The threats stem largely from continuing trade deficits with this nation. Taiwan last year enjoyed a $13.6bn surplus in its trade with the US and, by the end of last month, the surplus for 1987 had already surpassed the total for 1986.

Asea and Amtrak secure mass-transit cars order

BY SARA WEBB IN STOCKHOLM

ASEA, THE SWEDISH electrical engineering group which is merging with Brown Boveri of Switzerland, said yesterday that it has won, with Amtrak of the US, a $44m order to supply mass transit cars to the South-Eastern Pennsylvania Transportation Authority (Septa).

The Swedish group considers this a breakthrough because, till now, Asea has won orders in the US for locomotives used for inter-city traffic, but not for mass-transit cars.

Asea believes that the market for electrically-powered systems of mass transit – such as commuter trains, subway cars or light rail vehicles – is expanding in the US as more cities are considering such systems, partly for environmental reasons.

Asea and Amtrak have formed a joint venture to supply 26 mass-transit cars to Septa. Asea said that it will receive slightly less than half of the order value.

The Swedish group is supplying the car bodies and electrical engineering fittings. These will be sent to the US, where Amtrak will have responsibility for the assembly and fitting out of the car interiors.

The cars are expected to start operating by the end of 1989 on the Philadelphia-Norristown suburban line.

●Ericsson, the Swedish telecommunications and electronics group, has won a SKr11m (£1.08m) order to supply 500 payment terminals for the British Eftpos (Electronic Funds Transfer at the Point of Sale) network. These will be used in retail outlets such as supermarkets, department stores and petrol stations.

Why do you drink Perrier?

You drink it, of course, because you like it.

Because it is pure, French, naturally sparkling, refreshing.

Or you drink it because you are usually given Perrier when you ask for mineral water.

Or because you ask for Perrier and not for mineral water, using the name as a generic.

None of which quite answers the question.

Why Perrier?

Why not some other mineral water?

Why mineral water at all?

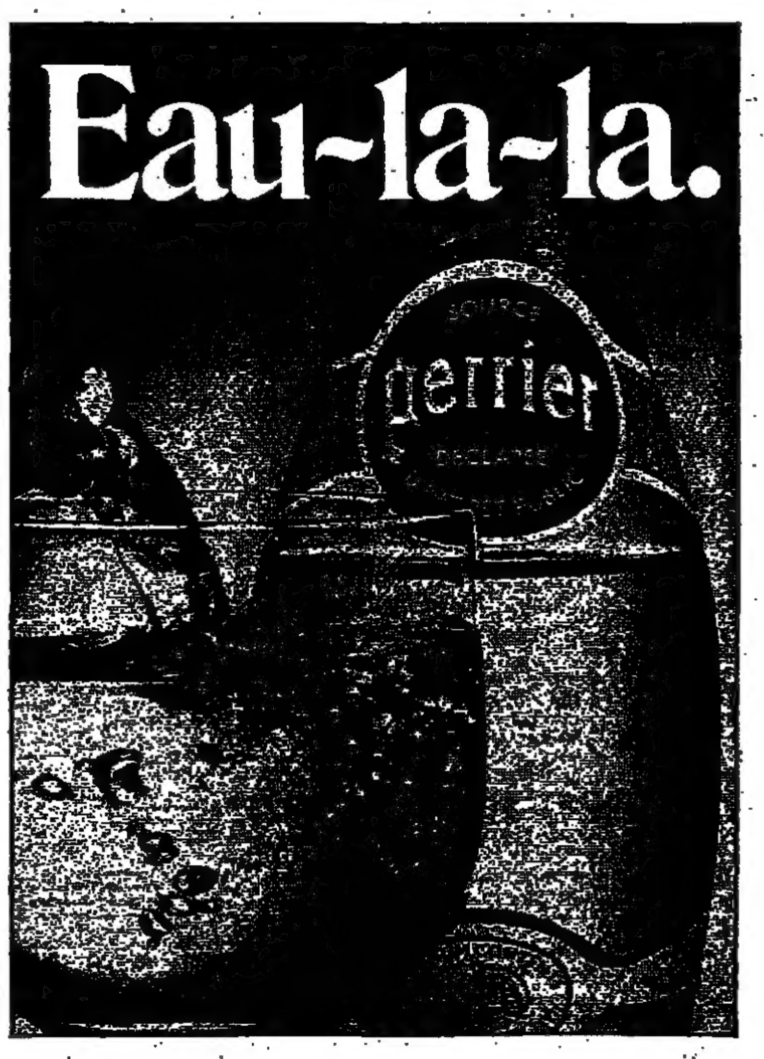
To answer those questions, we must go back eleven years.

In 1976, the British bought 6 million bottles of mineral water.

Fewer than 3 million of them were bottles of Perrier.

And somebody expressed the not unreasonable opinion that the British would never pay for water.

In 1978, Leo Burnett ran this modest four-sheet poster in London:



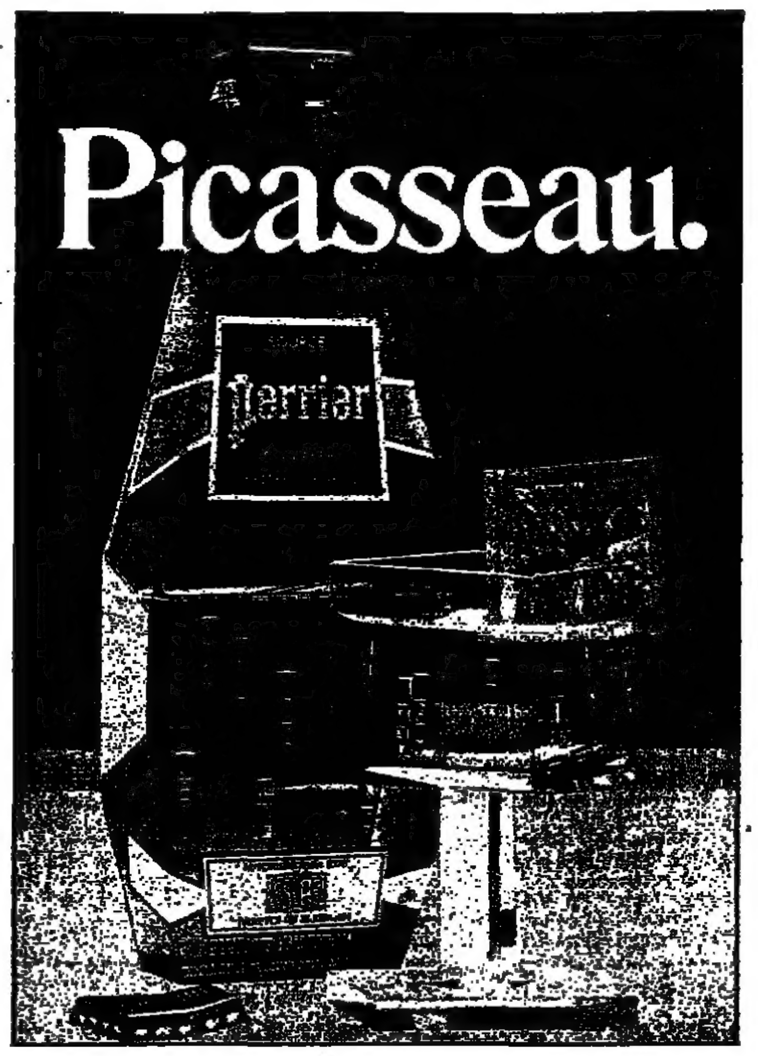
Since then, a lot of water has flowed under the bridge.

Last year, the British bought 128 million bottles of mineral water.

More than 77 million of them were bottles of Perrier.

In the last 12 months, Perrier have sold more than 100 million bottles and sold 4 million in one week alone.

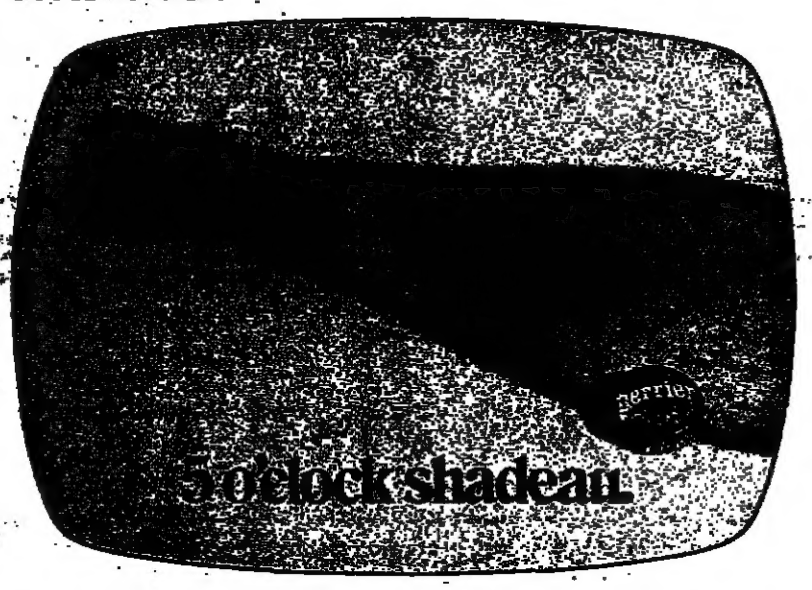
It has a bigger share of that much



bigger market and is still far and away the brand leader.

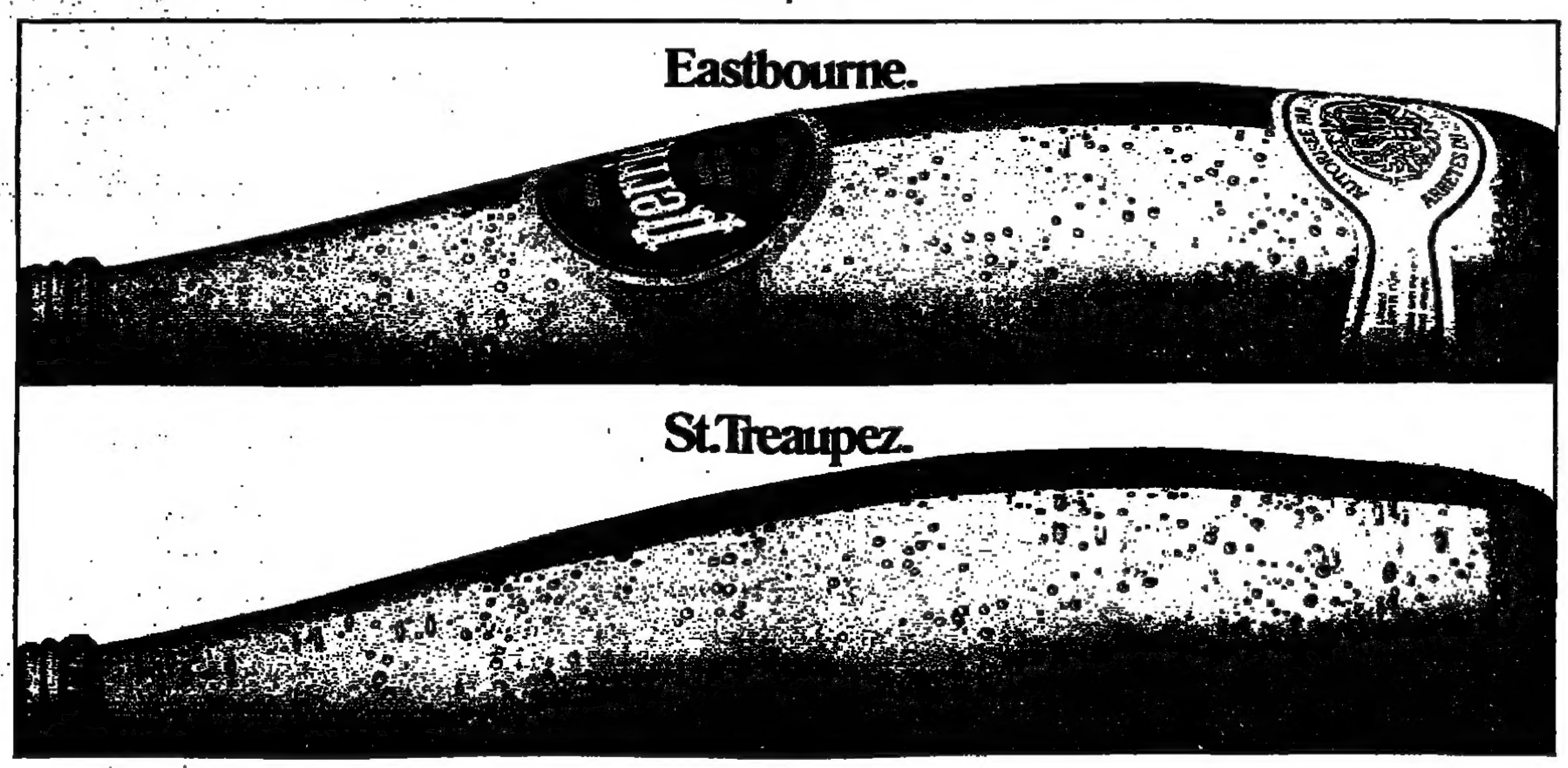
Despite the coming of many new waters.

Despite even the competition of own-label.



Not much, though, has happened to the advertising.

It appears in more media and more



parts of the country, but the campaign is still the same.

Not because we are complacent or have run out of ideas.

But because it is still building the brand and increasing the sales.

Its success, in fact, is deceptive.

The Perrier campaign looks far bigger than it is because it is long-running and consistent.

Which brings with it an added advantage:

Having built a brand, you can extend it.

Last year, Perrier introduced Perrier flavours.

We considered other campaigns, but this was the launch advertisement:

Perrier flavours have now sold more than 15 million bottles.

The advertising, of course, isn't the only reason.

Perrier is an excellent product, as you know.

But, without the advertising, would you have known it?

LEO BURNETT
ADVERTISING
Jeff Fergus, Managing Director,
Leo Burnett, 48 St. Martin's Lane, London WC2N 4EJ. Tel: 01-836 2424

Manufacturing costs fall for second month

BY SIMON HOLBERTON

THE GENERALLY favourable outlook for prices in Britain was underlined yesterday by official figures showing a fall in manufacturers' costs last month for the second month in succession.

The outlook remains favourable despite an unexpectedly large rise in factory gate prices, which was attributed to what appears to be a one-off rise in prices in the food, tobacco and drinks industries.

According to the Department of Trade and Industry, the cost of industry's materials and fuels rose by 5.1 per cent in the 12 months to October, compared with a rise of 7.1 per cent in the year to September. In October itself, manufacturers' costs fell by 0.7 per cent on a seasonally adjusted basis.

A leading factor was a fall in petroleum products prices, which was only partly offset by an increase in metals prices during the month.

Sterling's continued strength, together with generally weaker commodity prices worldwide, should moderate upward pressure in the prices industry pays for fuel and materials. The pound's strength should also have a moderating effect on British industry's prices because of the need to remain competitive with imported manufactures.

In his Autumn Statement, Mr Nigel Lawson, Chancellor of the Exchequer, forecast a rise in retail prices of 4.5 per cent in 1988. This is generally regarded by independent economists as being on line with, or slightly higher than, their forecasts.

Factory gate prices rose 3.9 per cent in the year to October and rose 0.5 per cent during the month itself. The DTI said almost all of this increase was attributable to a rise in prices for food, drink and tobacco.

These prices rose 2.4 per cent in the year to October, compared to 1.6 per cent in the year to September. In October, they posted a monthly gain of 0.8 per cent. The DTI said this index rose chiefly because of increases in bread and milk, and cigarettes and beer, which had not risen during the year.

Prices in other manufacturing activity, however, remained fairly stable.

Granada launches £222m bid for Electronic Rentals

BY NIKKI TAIT

GRANADA, the TV and leisure group, yesterday became the first British company to launch a major takeover bid since the collapse in world stock markets, with a £222m offer for Electronic Rentals, the consumer electronics business.

Almost immediately, its advisers went into the market, picking up a 14.9 per cent stake in Electronic Rentals at prices ranging from 73.5p to 76p.

Last night, Electronic Rentals was still undecided on its response ahead of a board meeting to be held today.

Granada has made its bid conditional on a recommendation by the Electronic Rentals board, but reserves the right to waive this condition if it wishes.

The two companies rank second and third respectively in the TV and video rental market.

The market leader is Thorn-EMI, the electronics group, with an estimated 40 per cent market share. Granada is thought to have something over 20 per cent of the market, and takes in the 620-strong Granada TV Rental chain.

Electronic Rentals comes third with under 15 per cent, and markets under the Visionhire name. In addition, both Granada and Electronic Rentals have electronic rental and retail interests overseas.

The large market share which a combined group would command immediately led to market fears that the bid would provoke a reference to the Monopolies and Merger Commission.

Granada is offering nine 7.5 per cent convertible preference shares plus 585p in cash for every 20 Electronic Rentals. With Granada down 29p to 241p yesterday, analysts were valuing the preference shares at 105p.

Electronic Rentals was seen as a strong growth company in the mid-1970s, but it has suffered from high borrowings in the wake of some less than successful acquisitions over the past two years.

Pre-tax profits in the year to end-March reached £18.5m on sales of £308.7m, and analysts expect a fairly strong recovery to £23m in the current 12 months.

Granada, meanwhile, takes in four divisions, of which TV and video rental/retail is the largest - accounting for 60 per cent of trading profits and sales of over £500m.

Pre-tax profits in the year to end-September 1986 totalled £92.4m and the company is expected to make over £110m in the year just ended.

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Ford hit by unoffical action

BY CHARLES LEADBEATER, LABOUR STAFF

PRODUCTION at Ford Motor Company's Halewood and Dagenham car plants was disrupted yesterday by unofficial action in protest at the company's three year pay offer.

The company lost production of about 1100 cars after 800 skilled maintenance workers walked out at Halewood, in north-west England. They were particularly angered by Ford's proposal to break demarcation lines between skilled and semi-skilled workers.

Production is expected to return to normal later today after a backlog of faults has been cleared.

About 1,000 supervisors at the Dagenham plant and the company's research centre at Dunton, both in the London area, walked out after a mass meeting yesterday morning. Officials of ASTMS, the technicians' union, predicted further industrial action unless the company withdraws its offer which includes far reaching changes to the role of supervisors.

Officials of the manual unions, the Transport and General Workers Union, the AEU engineering union and the EETPU electricians' union, are expected to reject large parts of the company's offer at pay talks tomorrow.

Customs fears on Tunnel drug traffic

BY JIMMY BURNS,LABOUR STAFF

IF CUSTOMS controls are carried out on board trains arriving at the British end of the proposed Channel Tunnel, UK efforts to curb international drugs smuggling would be undermined, civil servant unions, representing 40,000 uniformed customs officers, said yesterday.

The warning came in response to a parliamentary bill authorising the Channel Tunnel project which would provide for on-board customs controls for trains arriving in the UK and journeying beyond London.

Union officials said it was normal practice for UK customs officials to search ships and aircraft after passengers and crew had disembarked. If the same practice was not pursued on trains, "real dangers would exist of smugglers concealing drugs on the train for retrieval after the customs controls were completed.

Mr Jim Sweeney, an official of the Society of Civil and Public Servants said: "On-train controls would be a farce turning to tragedy when international drug smuggling organisations exploit the inevitable weakness in the UK customs controls."

The House of Lords earlier this year stated that on-board train customs control was already widely practised on the continent. It argued that the practice reduced the time involved in disembarking passengers and was thus justified in commercial terms.

But union officials have written to Mr Peter Brooke, Paymaster General, urging him to reject any application from railway operators for on-board customs controls.

The letter argues that "putting the nation at serious risk of increased drug smuggling" is too high a price to pay for a "fifteen-minute" reduction in journey time.

Union clears itself of print plant allegations

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS of the EETPU electricians union have cleared the union of charges that it broke the Trades Union Congress' conduct guidelines at Mr Rupert Murdoch's News International's Wapping plant.

The EETPU's executive council yesterday received the report of an internal inquiry examining charges that the union continued to be involved at Wapping against TUC instructions.

The TUC's instruction followed a year-long dispute which began in January 1986

Irritability is just one effect of jet-lag. (You want to argue about it?)

The longer your journey the shorter your temper, your attention span and your memory. You may also feel exhausted, fuzzyheaded, sleepy during waking hours, and hungry outside meal times.

Jet lag (or circadian dysrhythmia if you're a boffin) is the result of your physical and mental faculties literally lagging behind those of people living in the country you're visiting. At least, that's true if you're flying east. Flying west you'll be ahead, so 'jet lead' might be more appropriate.

Either way, you're unlikely to be at your best when you land.

WHAT ON EARTH CAN YOU DO?

There are ways of reducing the effects of jet lag.

You could start by being young. Children adjust to time changes much more quickly than adults. (Babies under three months haven't yet formed any clear biological rhythms, as many a sleepless parent will testify.)

Being fit and healthy helps, too.

You can also try some pre-flight adaptation. If you're going east, go to bed and get up earlier: going west, make it later. Also shift your meal times in the appropriate direction.

(Of course, while this may help you it may also drive those around you crazy.)

Once you're on the plane, take it easy generally. It's not the jet that causes jet-lag, but the speed that it carries you across time zones.

An uncomfortable journey can make you feel much worse, though. The low air-pressure and lack of humidity in the cabin don't help much either.

So if you can't sleep, relax. If you have to drink, drink plenty of water or fruit juice and go easy on the alcohol. If you want to eat, remember your digestive system is all over the place.

And if you're given the choice, fly Qantas.

WE'RE A COMMERCIAL AIRLINE SO HERE'S A COMMERCIAL BREAK

We realise that all airlines talk about service and comfort as if they have a monopoly. The truth is that things like comfort are in the eye (or at least the behind) of the beholder. A bad experience can put you off for life. Qantas want you to arrive Down Under feeling on top, but we don't want to make any promises we can't live up to.

However, we can give you a few facts and hope that you'll give us a try.

Bear in mind that any problems you may have on a flight will be exacerbated by the length of the journey. For instance, a slightly uncomfortable seat may be bearable for an hour or two but will become an obsession beyond that.

Qantas have been flying longer flights longer than anyone. In fact, after KLM we've been flying passengers longer than anyone, so we think we've learned a bit about flying long distances.

And so long as you're with us, we also think you deserve the best. So if you *do* feel like a drink or you *are* hungry, we give you a choice of the best wines and the tastiest food. (Our wines were recently voted best in the sky by Business Traveller Magazine. Our food is always fresh, never frozen – and in First Class there's even a specially trained Air Chef.)

If you want to sleep, our seats are as comfortable as any and more comfortable than most. (The First Class Seats are the next best thing to a bed. The Business Class seats are the next next best thing.) The linen pillows and all-wool blankets are the biggest in the sky.

Our service is friendly and efficient. And our flight attendants actually speak English (though you may find the accent a bit strynge).

Since we fly more people to Australia than any other airline, we must be doing something right. If we aren't, we expect you to tell us.

WHEN YOU GET DOWN UNDER, HOW LONG WILL YOU BE BELOW YOUR BEST?

There are over 50 physiological and psychological rhythms that can be upset by jet lag, and they don't all get back to normal at the same rate.

As a rough guide, it takes about a day per time zone to recover fully. To get to Australia, you cross through ten.

Since time is money, recovering fully can be expensive. But so can making a bad decision. (Tests have shown that jet lag can cause up to a 10% decrease in mental speed, accuracy and vigilance.)

What can you do about it?

It's best to start with some time off to relax and acclimatise. Don't rush into any meetings. (If you can arrange it, arrive on a Saturday and have the weekend to yourself.)

Try to fit in with the new routine. This may mean propping up your eye-lids with matchsticks, but it's easier to will yourself to stay awake than it is to will yourself to sleep. Walk around and take in the sights – activity is a good antidote to sleepiness.

When you do fix a meeting, make sure it's at a time when you'd be awake at home. Otherwise you could be caught napping.

Australia is a long way to go to make a mistake. So before you take off, make sure you're flying with an airline that cares about your well-being on *and* off the ground.

If you do make a mistake going out, never mind. You can always correct it coming back.

THE MORE TIME ZONES YOU CROSS, THE CROSSER YOU BECOME.

QANTAS Business Travel. Big on creature comforts.

UK NEWS

Michael Donne reports on the expansion at London's second airport

Gatwick reaches for a new skyline

GATWICK AIRPORT, the second airport for London and the second busiest *international* airport in the world after Heathrow, is gaining a new skyline as the £250m second passenger terminal building approaches completion on the north side of the airport.

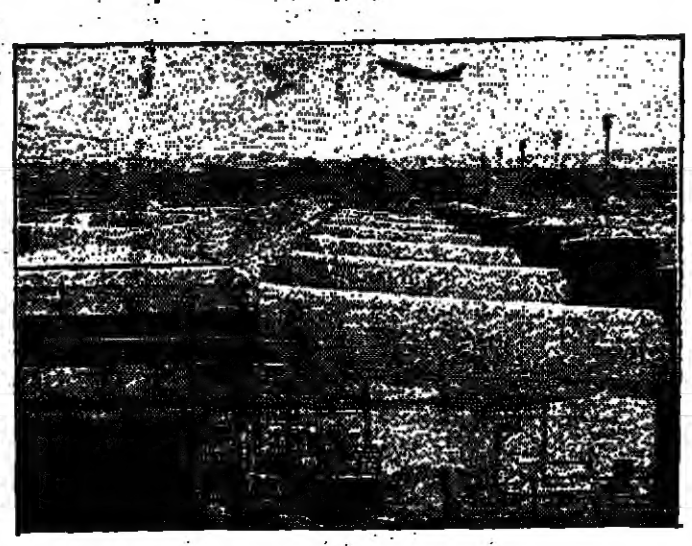
This huge structure - six times the size of the Royal Albert Hall in London, and as big as Terminal Four at Heathrow, which opened a year ago - looks striking in its cladding of blue enamel and silver aluminium panels and smoked glass. It is expected to open for business next spring.

The building (now designated the North Terminal, with the existing passenger area renamed the South Terminal) is already nearly a year late, as a result of financial constraints imposed on the former British Airports Authority before its privatisation by the Government.

As a result, the terminal is now desperately needed, as air traffic over the past year has risen much faster than expected.

The existing South Terminal has been expanded over the years to cope with a theoretical maximum of 16m passengers a year. In fact, in the 12 months to the end of September, it handled 18.8m passengers, a rise of 17.3 per cent over the previous 12 months. By the end of this year, the figure is expected to have topped 19m. Transport aircraft movements at the airport over the same 12 months rose by 7.5 per cent to 166,100.

Inevitably, congestion in the South Terminal at peak periods is severe, and facilities are *strained almost to breaking* point.



Gatwick's North Terminal: handles 11 aircraft at a time

The North Terminal will raise the ultimate total capacity of Gatwick to 25m passengers a year, while it remains a single-runway airport. Some sections of the air transport industry for a second runway, but such a development is now impossible.

Not only has it been legally ruled out as a result of an agreement some years ago between the BAA and West Sussex County Council; but land originally available for such a runway has been taken over by other developments, such as the enlarged cargo terminal, a control tower and now the new passenger terminal.

The North Terminal is being *developed in phases.* When it becomes operational, about two thirds of its capacity will be available immediately, accom*modating up* to about 5m passengers a year.

The remaining capacity, up to the full 9m passengers a year, will be brought into use progressively as traffic rises. Development is expected to be complete by about 1991.

The terminal will not only ease immediate strains, but carry Gatwick through to the mid 1990s, when overall airport terminal capacity in the London area will be expanded by the new terminal at Stansted Airport, Essex, now under construction.

The North Terminal is more than 1km from the existing airport buildings, although linked to them (and the British Rail main-line station) by a computer-controlled rapid transit system, as well as by road. But the terminal is self-contained - in effect a "mini-airport" in its own right, in much the same way as Terminal Four at Heathrow is separate from the central area of that airport.

The terminal *will have road* access from the A23 and M23, as well as its own car parks, its own airlines (British Airways will be among the first users), its own aircraft stands and handling arrangements, and eventually its own hotel.

The philosophy behind the design of the North Terminal has been to make it simple and pleasant to use. What many believe to have been mistakes at Heathrow's Terminal Four, such as dull and overpowering *interior decoration, have been* avoided, with lighter and brighter colours.

A large shopping mall, called The Avenue, the first of its kind at an UK airport, will supplement the exceptionally large duty-free shop.

The fundamental design feature of the terminal is its flexibility. A grid of steel columns, positioned to give the maximum span over public areas such as the arrival and departure halls and the shops, means that structurally each of the North Terminal's three floors is effectively open-plan. Partition walls can be easily moved to meet changing requirements.

Electricity boards differ over sell-off

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

CLEAR differences of opinion are emerging between the two Scottish electricity boards over the way in which they would like the Scottish electricity industry to be privatised.

The North of Scotland Hydro-Electric Board, which serves the northern part of the country, is believed to be opposed to the plan for the future structure for the industry favoured by the much larger South of Scotland Electricity Board.

The SSEB has made clear in recent weeks that it wants a single holding company set up to *own* both the SSEB and the NSHEB. The public would have shares in that holding company.

The two boards finance their generating systems jointly and utilise their power stations according to a single merit order, similar to that operated by the *Central Electricity Generating* Board in England and Wales.

Power is drawn from the most efficient power station in the merit order, *irrespective of* which board runs it. The Scottish boards handle generation and transmission, as well as dis*tribution.*

The SSEB believes that the two boards would keep their autonomy under the holding company. The NSHEB believes that under a holding company it would lose its identity, staff morale would suffer, and the service *to remote communities* would suffer.

The NSHEB would prefer the two boards to be privatised sep*arately, a solution that would* also provide more competition, since it would be possible to compare the performance of the boards against one another.

The NSHEB does not think that the existence of separate boards would hamper the close collaboration between the two boards. Charterhouse, its financial advisers, are thought to believe that with revenues that in 1986-87 totalled £324.5m the NSHEB would make a sizeable plc in its own right.

The NSHEB's financial advisers are also understood to think that the board would be attractive to investors as a separate entity, although some conversion of the NSHEB's debt into equity might be necessary. In the last financial year, the board made a net profit of £22m.

The two Scottish boards have to make their detailed submissions to the Scottish Office on the form of privatisation by the end of the month. Mr Malcolm Rifkind, the Scottish Secretary, should present his own recommendations to the Cabinet by the end of the year.

Shah moves into independent TV production

BY RAYMOND SNODDY

MR EDDIE SHAH, founder of the Today newspaper, is to set up an independent television production company, Messenger Television Production.

Mr Shah, who was once a television floor manager before going into the newspaper business, said: "We will set up an intermediary production company between the very small independent producer and the big network companies including the BBC."

After his departure from Today, Mr Shah has concentrated on the development of his Messenger group of newspapers in the Cheshire and south Manchester area. He owns 24 free and paid-for local newspapers and forecasts that the group will make a pre-tax profit of £2.5m this financial year on a turnover of £14m.

He has a 10 per cent stake in Today, now owned by Mr Rupert Murdoch.

Mr Shah nows intends to turn his attention to setting up his independent production company which will aim to encourage independent production in the north of England.

Independent television production is a growth area, with the Government insisting that independent producers should have access to about 25 per cent of Britain's four national television channels.

Mr Shah believes many small independents will have trouble surviving through the 12-18-month lead time involved in producing many television programmes.

Mr Shah's company aims to finance the development of ideas and help with budgeting, arranging finance and overseas distribution.

"We are now actively seeking ideas from independent producers. We want ideas, whether they are for religious programmes, quizzes or drama," Mr Shah said.

He says he has already had talks with senior ITV and BBC executives and claims the response has been "extremely positive."

The founder of Today, who played the role of catalyst in the transformation of the working practices and economics of the British national newspaper industry, has no similar ambitions to revolutionise television.

Messenger Television Production is already working on four ideas for documentaries.

Sullivan nets £1m from Morning Star office sale

BY RAYMOND SNODDY

MR DAVID SULLIVAN, publisher of the newspaper Sunday Sport, has sold the former headquarters of the loss-making Communist daily paper, Morning Star, making more than £1m profit from his three-month ownership of the building.

To the astonishment of many Communist Party members, the Morning Star sold its headquarters in London's Farringdon Road in July to Mr Sullivan's company, Apollo, which is best known as a publisher of soft pornography.

Estate agents White Michaels Druce, which acted for Mr Sullivan, said yesterday that AC Holdings had paid well in excess of £3m for the building which Mr Sullivan had purchased for £2.1m.

Mr Joe Malvisi, managing director of White Michaels Druce, part of Hanover Druce, said the £3m-plus price reflected the spill-over effect of the City of London and the fact that over the past three months the status of the building for full business use had been clarified.

Mr Sullivan originally bought the 23,000 sq ft building to be the headquarters of the Daily Sport, the national daily he intended to launch next year. The building became surplus to his requirements after the relationship, which has since collapsed, between The Star and Sunday Sport.

Mr Sullivan said last week he now had no immediate plans to turn Sunday Sport into a daily.

It is believed that AC Holdings plans to develop the site for offices.

Warsaw Pact views British forces

TWELVE senior military figures from the Warsaw Pact saw the elite of Britain's armed forces in action yesterday, for the first time since the signing of a new treaty to foster better links between East and West, and declared it had reduced the risk of war.

Armed with just cameras and binoculars, they watched intently as the Royal Marines performed a series of beach and helicopter landings for Exercise Purple Warrior in south-west Scotland.

There was particular interest in a parachute drop by the First Battalion of the Parachute Regiment.

Under the terms of the Stockholm Agreement 34 observers from the Warsaw Pact, Nato and non-aligned countries were allowed facilities to watch the exercise, the biggest involving all three services in Britain.

A total of 35 countries signed the agreement, which allows for observers to watch military exercises in each other's countries.

The Warsaw Pact sent representatives from the Soviet Union, Hungary, Bulgaria, Poland, East Germany and Czechoslovakia. They were able to quiz officers and men alike.

Later Colonel George Guerguiev from Bulgaria said: "Having met these men today, it would be difficult to come face to face on the battlefield and shoot each other."

Colonel Vikter Koshin from the Soviet Union said: "All armies are the same in general. It is very important to believe and test each other and relieve international tension."

Immaculately dressed in his Soviet army uniform, he said he had enjoyed watching the exercise which, he stressed, had been carried out to the letter of the Stockholm Agreement.

Major General Istva Zsemberi from Hungary found the British officers were "correct and open." He added: "This is a small contribution to strengthen mutual confidence between the two forces."

The observers are staying at a top-class hotel in Stranraer.

Tonight Ian Stewart, Armed Forces Minister, will host a dinner for the observers and, instead of the usual loyal toast to the Queen, they will raise their glasses to the Stockholm Agreement.

Alan Pike on the demands to the Government by victims infected through the NHS

Plea by the haemophiliacs who have AIDS

WHEN Julian Miller left university four years ago he began a promising career as a marketing executive in Royds, the London advertising agency which is now part of McCann Erickson.

With tragic irony, nothing could have qualified him better for the way he is currently spending his days.

Mr Miller, 25, is a haemophiliac who has been infected with HIV - the AIDS-producing virus - through contaminated blood products used in the National Health Service treatment of his illness.

Like 1,200 other haemophiliacs infected with the AIDS virus in this way, he has no idea how much longer he might live. Unlike almost all the others, who for numerous understandable reasons seek anonymity in their dreadful plight, he is openly using his marketing skills to support a campaign by the Haemophilia Society for government financial assistance for the 1,200.

"I am prepared to look people in the eye and say 'Hi, I'm Julian. I've got AIDS. What are you going to do about it?'" he declares in a tone so positive and so confident that he could be mistaken for any young, enthusiastic advertising executive selling the latest transient product.

But - not least because he is young and enthusiastic and wants to live - he admits that such confidence cannot always be maintained. No one knows exactly how many of the 1,200 haemophiliacs exposed to HIV will develop full-blown AIDS, or against what sort of timetable, but the prognosis is not good.

So far, 60 have developed AIDS and 45 are dead. In 18 cases, wives have become HIV-positive as a result of sexual transmission of the virus. Specialists suggest that some of the victims who do not die might suffer severe loss of mental powers and dementia.

"Every time you get a cough, every time you lose weight or have a sweaty night, you imagine it is developing. You think 'This is it,' and your family thinks it too," says Mr Miller.

Haemophilia is an hereditary blood disorder. Its sufferers do not have sufficient amounts of the clotting agents factor VIII or factor IX in their blood, and their life-threatening disorder is controlled by treatment with transfusions and injections of the missing elements produced from human plasma. It was through such contaminated blood products that the 1,200 became infected, primarily from imported material - the NHS meets only about 20 per cent of demand for factor VIII from domestic sources.

There are about 5,000 haemophiliacs in the UK, of whom 2,000 are severely affected. More than half the people with severe haemophilia, who have had the most frequent need for life-preserving blood treatment, have been infected by the AIDS-producing virus.

Julian Miller: openly using his marketing skills

Mr Miller has the support of a caring circle of family and friends. And, although he has resigned from McCann Erickson because of a bout of ill health related to his haemophilia, his employer raised no objection to his continuing in employment when he discovered he was HIV-positive.

Many people affected with the AIDS virus are less fortunate, and face problems ranging from being shunned by workmates, employers and neighbours to being denied mortgages or life assurance at reasonable premiums. For such reasons, most of the 1,200 infected haemophiliacs do everything possible to conceal the fact that they are HIV-positive; some are believed to have not even told their own families the results of tests.

Against such a harrowing background, Mr Miller and other representatives of the Haemophilia Society last week met Mr John Moore, Social Services Secretary, and Mr Tony Newton, Health Minister, to present their case for government support.

The Government's reaction to previous approaches from the society has been to urge it to explore the possibility of redress through the courts. Legal advice obtained by the society suggests that claims for compensation would be unlikely to succeed because of the difficulty in proving negligence, although the sufferers were infected as a result of treatment within the NHS.

Going to law would, in any case, take considerable time and the society emphasises that the needs of the 1,200 and their families are urgent and must be met now.

Whatever the legal position, the society believes the Government has a clear moral responsibility in the matter. "The implications of HIV infection upon the families of people with haemophilia have been devastating," it says in a submission to ministers. "Haemophilia is already a potentially life-threatening disorder. HIV and AIDS are placing an intolerable pressure upon family life."

The society's demands include:

- A fund to help householders with insurance premiums, so that their homes are protected
- non-means-tested hardship payments for the dependants of sufferers who die from having been exposed to the virus
- A weekly non-means-tested benefit of £65-£75 to help sufferers cope with the added financial burdens of their plight. These include the need for special high-protein diets, extra heating, laundry and clothing costs and travel to hospital

Mr Miller says the Social Services Secretary reacted compassionately at last week's meeting, and agreed that the issue was an urgent one. The society is awaiting the Government's response.

Since 1985, blood has been heat-treated to prevent HIV infection. So the financial implications of a government decision to meet the demands of the Haemophilia Society would be restricted to the existing group of sufferers.

It would also be restricted in another way, as Mr Miller and the other 1,200 recognise, and he makes the point in his most detached, matter-of-fact tone of voice. "The cost of any obligation the Government enters into is going to decrease as we die."

Holiday groups calm over cuts

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT, IN INNSBRUCK

TWO OF the largest UK package tour operators, Intasun and Horizon Holidays, yesterday refused to be panicked into immediate retaliation over the £18m worth of price cuts announced on Sunday by Thomson Holidays.

Intasun and Horizon, the second and third largest tour operators behind Thomson, said yesterday they had no plans to cut prices on existing brochures at present.

Horizon, however, yesterday launched brochures for its Wings subsidiary - bought last month by the Rank Organisation - with an offer of £50 off published prices for early bookers.

Mr David Cockerton, Horizon's managing director, said yesterday the discounts offered on Wings holidays were not a reaction to the Thomson move.

But both Horizon and Intasun are determined not to let Thomson's move succeed at their expense.

'If there is a realignment of market share in favour of Thomson then there will be a price war like never before,' said Mr Roger Heape, managing director of Intasun.

Intasun sees the Thomson move as a reaction to the lower prices first offered in the Intasun brochures last month.

Mr Cockerton also pointed out that Horizon Holidays were very competitive in comparison with those offered by Thomson.

The Thomson move, however, which will cut prices on more than 1m holidays, was criticised by many delegates to the Association of British Travel Agents Conference meeting in Innsbruck yesterday.

Travel agents and other tour operators fear the Thomson price cuts will encourage consumers to defer booking holidays in the expectation of further price cuts.

They also fear that by concentrating on price, the travel trade is not tackling the problem of rising complaints from disgruntled holidaymakers.

Consumer complaints made to ABTA have risen by 38 per cent this year.

The real worry for the travel trade, however, is in case bookings do not pick up in the next few weeks because consumers are uncertain about the UK economy after the stock market collapse.

If bookings for next summer do not pick up by early December, then both Intasun and Horizon - and even Thomson - may be forced into making further price cuts to boost demand.

- The Rank Organisation is to invest a further £80m in the next three years in upgrading its Butlins holiday camps and hotels in addition to the £90m already spent since 1985.

Plan to convert Colditz Castle into luxury hotel

BY DAVID CHURCHILL

COLDITZ CASTLE, the most famous German prisoner-of-war camp during the Second World War, may soon be turned into a luxury five-star hotel.

The plan, announced yesterday at the Association of British Travel Agents Conference in Innsbruck, is aimed at boosting tourism to East Germany from the UK.

But the scheme has still to receive official approval from the East German Government and it might also run into problems from Colditz survivors, who may see the scheme as desecrating the memory of comrades who died trying to escape.

The man behind the scheme is Mr Guenter Thann, managing director of German Tourist Facilities, a UK tour company specialising in holidays to East Germany.

Mr Thann said yesterday that there would be 'no fun and games' at the proposed hotel. 'We are not going to ask people to pay to get in and then lock them up until they escape,' he added.

But Mr Thann hopes to invite some of the former prisoners to visit the hotel, if it is built. 'This time they would be able to leave at the end of the weekend,' he said.

Colditz Castle, which is situated just outside Leipzig in East Germany, was built in the late 17th century by August the Strong, King of Poland. It was first turned into a POW Camp in the First and Second World Wars.

The Nazis believed the castle was escape-proof and used it to house 'difficult' prisoners - those who had already tried escaping from other POW camps.

Vauxhall chief leaves after revival in sales

BY JOHN GRIFFITHS

MR JOHN BAGSHAW, the 62-year-old Australian widely credited as the driving force behind Vauxhall's sales revival in the UK since the early 1980s, has left the chairmanship of the General Motors subsidiary.

Mr Bagshaw has returned to his native Australia to become managing director of Holden, GM's Australian subsidiary, after the retirement of the previous managing director.

His successor as Vauxhall's chairman and managing director is Mr Paul Tosch, 47, who has been chief executive and general manager of GM's Bedford commercial vehicles division since January of last year.

Detroit-born Mr Tosch will also continue, at least temporarily, to be in charge of Bedford pending the expected completion of the purchase of its Dunstable-based truck operations by Mr David Brown's All Wheel Drive group of vehicle production companies based in north-east England.

Bedford's van operations were placed into IBC, a new joint company with Isuzu of Japan, in September.

Bedford said yesterday that details of the truck operations sale were still being finalised, with completion possible in two to three weeks. The Department of Trade and Industry announced yesterday that it had decided not to refer the sale to the Monopolies and Mergers Commission.

Mr Bagshaw, who assumed the chairmanship of Vauxhall in February last year, had already left for Australia, the company disclosed yesterday. A genial figure, happy to be known by his nickname of Bags, Mr Bagshaw was known to be keen to return eventually to Australia.

His uninterrupted career with GM began with Holden in 1948. His first involvement with Vauxhall was as marketing director in 1981 and director of car operations the following year.

John Bagshaw: returning to Australia

Prior to taking the top job at Vauxhall, Mr Bagshaw had a spell as executive director of sales, service and parts for GM's European car operations based at Adam Opel in West Germany.

Although there had been little prior indication that Mr Bagshaw's departure was imminent, Vauxhall was at pains yesterday to emphasise that there were no adverse connotations to the move.

Although Vauxhall's market share has fallen to just more than 14 per cent this year from a peak of 16.5 per cent in 1983, Mr Bagshaw had previously made clear that he was ready to sacrifice sales in pursuit of the profitability that had previously eluded Vauxhall.

Mr Bagshaw forecast only last month that Vauxhall would move from a £61.7m net loss in 1986 to a "solid" operating profit, and possibly a net profit, in the current financial year following progress in a cost-reduction programme - now about halfway through - aimed at cutting costs by 25 per cent over three years and staying clear of price wars.

Consortium formed to build prisons

By Andrew Taylor

MIDLAND BANK and Tarmac, one of the UK's biggest contractors, have combined to form a consortium to design and build prisons which the company says could be financed privately if the Government wanted.

The consortium includes RMJM, architects; Oscar Faber Partnership, structural, civil and building engineers; Widnell and Trollope, quantity surveyors and Group 4 Securitas, the security company.

In September, John Mowlem and Sir Robert McAlpine, two other leading construction groups, announced a joint venture to investigate the possibility of privately financing, building and running prisons in Britain.

Tarmac said yesterday its plans would not involve the consortium in running prisons although it might provide ancillary service such as prison catering.

It said the consortium would offer its services to help to raise private finance for prison building. It would also build and provide services for prisons financed conventionally through the public sector.

The ability to offer a complete design-and-build package, whether financed privately or publicly, would improve the speed and efficiency of construction and reduce costs, Tarmac said.

It would require the Home Office to hand over the organisation and administration of projects to the private sector, which had more experience of construction management and modern construction methods.

Tarmac is completing a £30m category B prison at Garth near Preston. RMJM and Oscar Faber are also involved in the prison building programme, designing and constructing large prisons.

Group 4 Securitas will advise on all aspects of security as well as supplying sophisticated security devices and systems, said the consortium.

Minister pledges safeguard for dons with unpopular opinions

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

A LEGAL SAFEGUARD to enable academics to express unpopular views without losing their jobs was promised by Lady Hooper, Under-Secretary for Education, yesterday.

She said the safeguard would be contained in the new Education Bill's clauses limiting the career-long job security conventionally granted to many university dons.

Lady Hooper was commenting in the House of Lords on the report of an inquiry into arrangements for maintaining academic freedom in Ruskin College, Oxford, which has strong links with the trade union movement.

The inquiry, headed by Sir Albert Sloman, former vice-chancellor of Essex University, was set up last year after some Ruskin students initiated boycotts against Mr David Selbourne, a tutor at the college, because he had written an article for The Times newspaper which was then in dispute with the printing unions.

Mr Selbourne later left the college, alleging that it had breached his employment contract.

Sir Albert's report states that, while pending legal actions precluded the inquiry from closely investigating the incident involving Mr Selbourne, Ruskin needed to tighten up its arrangements for ensuring the freedom of its individual staff members to hold and voice "any point of view, however unpopular, controversial, unconventional or eccentric that view may be."

The college's executive committee and council should approve a "clear and unequivocal statement embodying the principles of academic freedom" and give it wide publicity within the college, particularly by bringing it to the attention of all new entrants.

Ruskin should also provide students and staff with a clear definition of what constituted breaches of discipline, including conduct that was likely to obstruct the holding of lectures, classes and other forms of instruction.

As a last resort, if a dispute between the college authorities and a staff member about academic freedom could not be resolved by internal procedures, there should be provision for an independent review by a person nominated by the Chancellor of Oxford University.

New loans rise to £3.2bn as consumer credit accelerates

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

BRITAIN'S consumer credit accelerated in September, with new loans extended through hire purchase agreements and credit cards totalling a record £3.2bn.

The Department of Trade and Industry said yesterday that total outstanding consumer debt, which takes into account any repayments, rose by £400m during the month to stand at £21.9bn. That represented an increase of 14.5 per cent since the start of this year.

The latest figures suggest that consumer borrowing patterns are little influenced by small rises in interest rates. In August, the Government raised base lending rates from 9 to 10 per cent, but that appears to have done nothing to dampen demand for credit.

During the three months to September, which gives a clearer picture of the underlying trend, the total of new borrowing was 8 per cent higher than in the previous three months.

The apparently unstoppable rise in borrowing has been a cause for concern to the Bank of England, because of the possibility that an increasing number of individuals may overstretch themselves and because of the wider implications for control of the money supply.

Sharp falls on world stock markets over the past few weeks, however, mean that the pace of credit expansion will have only a muted impact on the authorities' interest-rate policy in the immediate future. Interest rates have been reduced twice over the past two weeks and further reductions are expected unless financial markets stabilise.

In separate figures yesterday the department confirmed that retail sales volume fell during September, but the underlying trend remained upwards. During the latest three months the volume of sales was more than 2.5 per cent higher than during the previous three months.

Phillips & Drew to merge with UBS

BY ALEXANDER NICOLL

PHILLIPS & DREW, the London stockbroker, is to be merged next year with UBS (Securities), the London-based international capital markets arm of its parent, Union Bank of Switzerland.

The combined company, with a staff of 1,350, will exclude the fund management business of Phillips & Drew, which is to be united with the private banking operations of the London branch of UBS to form an asset management company.

A UBS spokesman in Zurich said yesterday that no jobs were expected to be lost. The formation of a single securities company, yet to be named, is to be completed in time for the move of both companies into their new home in the Broadgate development in the City of London.

Overseeing the combined operation will be Mr Rudolf Mueller, who took up an appointment yesterday as executive vice president UK for UBS. He has been responsible for the sale and trading of securities worldwide for the UBS group.

Mr Bryce Cottrell, chairman of Phillips & Drew, will retire on the merger, and Mr Mueller will at that point assume direct responsibility for the new company in addition to his broader role. Mr Keith Percy of Phillips & Drew will be chief executive of the asset management company.

UBS said the moves underlined its confidence in the London markets and would create greater synergy between the London operations of the bank.

British Rail to improve night sleeper trains

BRITISH RAIL is making improvements to its overnight sleeper services which it hopes will give passengers a deeper, more relaxing sleep and encourage more people to use them.

Sleeper trains will make fewer stops and travel more slowly to lessen braking and acceleration, said Dr John Prideaux, BR's Intercity director.

Dr Prideaux, announcing the improvements ion service to the Chartered Institute of Transport yesterday, said BR was investing in 31 lounge cars

Four services will be launched next May, from Plymouth to Edinburgh and Glasgow, Poole to Edinburgh via Southampton, Reading and Oxford, and from the Midlands to Aberdeen and Inverness.

Shares fall 'will have slight dampening effect'

BY PHILIP STEPHENS

THE STOCK market crash is likely to have only a slight dampening impact on Britain's growth rate next year, although it will damage the outlook for the balance of payments, according to a group of independent economists.

The Item Club of independent forecasters said in a review of the crash that pessimists over the outlook may be failing to take into account the beneficial impact of the share price fall on inflation and interest rates.

The club, sponsored by Ernst and Whinney, the accountants, says that the growth rate of Britain's output, as measured by gross domestic product, will be reduced only by 0.2 percentage points in 1988 after the 30 per cent fall in share prices. It therefore still expects output to rise by about 2 per cent next year.

Item's simulations suggest that without any other changes consumer spending might fall by about 0.7 per cent.

Lawson hopes to see deal on US budget agreed this month

BY MALCOLM RUTHERFORD

MR NIGEL LAWSON, the Chancellor of the Exchequer, hopes that the US Administration can have a package of measures to reduce the US budget deficit that it can put to Congress by November 15. A meeting of the Group of Seven, the world's major industrial democracies, might follow within seven days of the package being approved.

The G-7 meeting would be designed essentially to review and update the Louvre agreement of February which was intended to introduce a period of exchange-rate stability.

The Chancellor said in an interview with the Financial Times yesterday that he believed that the reason for the February accord still obtained. That was primarily to stop the wild gyrations of the dollar on the foreign exchange markets. However, "a very clear commitment by the US" to the principles of the agreement was a "sine qua non" of its reaffirmation.

Mr Lawson declined to comment on what he thought the dollar exchange rate should be in advance of a G-7 meeting.

He made clear that there were two main parties involved in current arguments: the Germans and the Americans. He said he believed Mr James Baker, the US Treasury Secretary, was trying very hard to achieve the package and appreciated the international dimension of the problem in a way that not all Americans do.

The Chancellor added that his strictures on the US in his Mansion House speech last week were not aimed at the US Administration, and certainly not at President Reagan, but at the US Congress and the US political processes in general. He thought there was no particular divide between the US Federal Reserve and the US Treasury, but that with the recent departure of Mr Paul Volcker as chairman of the Fed it was inevitably Mr Baker who was in the driving seat.

It was essential that any US package should include some "tax element, if only as an earnest of how seriously the problem was being taken." It was also important that the effects of the package should extend well into a second year and have a long-reaching structural impact.

Since the current US fiscal year started on October 1, it was bound to be what was planned for the second year that mattered. The US had, in any case, done quite well in reducing the budget deficit in fiscal 1987. It was what came next that was causing concern.

In West Germany Mr Lawson said he believed the Bundesbank was divided over monetary policy. One section thought that policy should be governed solely by what was happening to central bank money which had been expanding very fast. That was why there had been a tendency to raise short-term interest rates, which Mr Baker had criticised.

Another section believed that wider considerations should also be taken into account, including exchange rates.

Dr Gerhard Stoltenberg, the West German Finance Minister, was allied with the latter section and Mr Lawson left no doubt that he himself was close to Dr Stoltenberg.

The Chancellor said the first half-point cut in British interest rates, after the stock market fall last month, had been decided upon for wholly domestic reasons. The second, announced last week, was determined after consultation with his international partners, but Mr Lawson said that he would have gone ahead in any case.

Further decisions on interest rates will be taken as and when appropriate, but Mr Lawson said that interest rate cuts could be part of the G-7 package if it comes.

Going back to the Louvre Agreement, the Chancellor claimed that although it was essentially about exchange rates, there had been an understanding that the partners would have to accept "interest-rate consequences".

Nigel Lawson: strictures not aimed at Reagan

Mr Lawson thought the Germans had been unduly alarmed by talk of a worldwide resurgence of inflation, and had acted accordingly. That danger was now over, although West Germany might have a large role to play in any discussion of the G-7.

The Chancellor gave no intimation that Britain was ready to become a full member of the European Monetary System as a consequence of any international agreement - or of the lack of it. We are going for "the bigger prize", he said, which was to stop the "wild gyrations of the dollar".

He claimed that he was not convinced that full membership would give Britain greater influence over the policy of the Bundesbank. He wondered out loud how the Bundesbank could be influenced but added that it would be an attraction if it the influence could come from Britain.

Mr Lawson then said that the "greater, stronger case" for joining the EMS was the same as the case for the British Medium Term Financial Strategy (MTFS) when it was first set out shortly after Mrs Thatcher became Prime Minister and Mr Lawson was Financial Secretary at the Treasury. "It would give a greater guarantee of stability and continuity."

The Chancellor expressed little doubt, however, that the pound could continue to be held at the present level of around DM 3, despite the differential between British and West German inflation. It had stayed at that level since the budget in March and there were two reasons why it was desirable that it should go on doing so.

One was that it provided a "useful anti-inflationary discipline". The other was that business and industry wanted to know where they stood. Citing a recent CBI survey, he said that business was now more interested in stable exchange rates than in interest rates.

Asked what would happen if the Americans failed to give a firm commitment to the exchange rate in domestic policy, Mr Lawson argued that Britain could live with it. "We did live with it for years - huge sterling-dollar fluctuations." The Japanese had adjusted to big swings as well, but the Germans had more problems. However, it would still be better for everyone if a breakdown could be avoided.

It was too early to say what effect the stock market fall and the dollar weakness would have on third world debt, but the Chancellor noted that Brazil - the biggest debtor of all - had been moving closer to a deal with the Internation Monetary Fund.

On domestic policy Mr Lawson notably declined to say that he would react to any threat of recession by significantly increasing the public sector borrowing requirement. There would be "flexibility", he said, but he would be "very reluctant indeed" to see borrowing rise above the one per cent of gross domestic product set down in the MTFS and reaffirmed in last week's Autumn Statement. Current borrowing is estimated at one quarter per cent of GDP.

As for the fate of the BP issue, which was caught up in the stock market fall, the Chancellor said that there was due to be a breathing space in the series of privatisations in any case. He had always planned to take stock of the exercise, tap the brains of advisers and examine the lessons of the privatisation programme to date.

Mr Lawson added, however, that he would be wary of admitting something like clause eight in the BP contract with the underwriters again. That was the clause that enabled the underwriters to appeal to the Bank of England on the grounds that market conditions had materially changed.

The Chancellor said that he had no worries that the target of £5bn a year proceeds from privatisation would fail to be met. There were no immediate future candidates, but if something new came up - like steel - he would not stand in the way.

Receivers called into Scottish electronics plant

BY JAMES BUXTON, SCOTTISH CORRESPONDENT

SCOTLAND'S electronics industry suffered a setback yesterday when receivers were appointed at Integrated Power Semi-Conductors, a US-run company which was financed with UK venture capital finance.

The Bank of Scotland yesterday appointed two joint receivers from Cork Gully, the firm of chartered accountants, after institutional investors led by 3i decided to put no more money into the company.

Some 16 investors had put about £20m in four tranches into IPS since it was set up in 1984.

However, the company, which employs 190 people at Livingston, West Lothian, suffered heavily from the downturn in the semi-conductor industry of the past two years and is understood to have been trading at levels well short of its budget.

Mr David Wood, sales and marketing director at IPS, said an attempt to put together a £3m bridging loan was close to being concluded shortly before last month's Stock Exchange crash. However, the crash caused investors to change their minds.

IPS was founded by a group of executives from US corporations in Silicon Valley, California, to manufacture semi-conductors that were said to break new ground by combining power control and logic on the same chip.

Although the principal market was the US, Scotland was chosen as the manufacturing base in order to avoid the European Community's levy on semi-conductor imports for sales to EC countries.

At the time, IPS was thought to be the biggest UK start-up to be financed by venture capital. It has so far absorbed about £20m, of which 3i put in £4.75m and the Scottish Development Agency £2m.

More UK News on Page 14

It is understood that the investors had been trying for some months to find an industrial corporation prepared to back IPS, but had had no success.

The investors are believed to have felt that bridging finance could not be justified because it would not solve the company's medium-term problems.

Yesterday Mr Frank Blin, one of the two receivers, said: "We will be exploring every avenue for sale as a going concern, while looking at the viability of ongoing trading in the short term."

The SDA said it would do what it could to examine alternatives and preserve jobs. "If we didn't undertake risks we'd never get anywhere," it said.

Changes in sea law on ferry safety called for

Financial Times Reporter

MR PAUL CHANNON, Transport Secretary, today called on the International Maritime Organisation to support British measures aimed at improving safety on passenger ships after the Zeebrugge disaster.

In a speech to the IMO Assembly at its London headquarters, Mr Channon urged members to support specific ferry safety measures that Lord Brabazon, Minister for Shipping, will put to the Assembly on Wednesday.

"I am personally determined that the lessons learned from this disaster must be used to set new safety standards for passenger ships, particularly roll-on roll-off ferries", Mr Channon said.

The UK is proposing that a meeting of the organisation's maritime safety committee, scheduled for next April, should be extended by two days to permit the adoption of new legislation.

The Minister said that in addition to changes in equipment, the Government was introducing regulations dealing with the operation and running of a ship, including laying down comprehensively for the first time what a ship's standing orders must cover.

"We shall require boarding card systems to ensure strict control of passenger numbers, and ferry companies to appoint a designated person ashore to deal with questions of operational safety," he said.

Iveco Ford relegated to second place in 10-month truck sales

BY JOHN GRIFFITHS

THE RIVALRY for UK truck market leadership between Leyland Daf and Iveco Ford has increased to a level greater than at any time since the two groups were formed.

Iveco Ford's claim in June, immediately after Leyland Truck's merger with Daf, that it would be the market leader in 1987 suffered a setback last month.

Statistics from the Society of Motor Manufacturers and Traders show that Iveco Ford's registrations of trucks over 3.5 tonnes during October, at 845, were nearly 300 down on the 1,125 of Leyland Daf.

The drop was sufficient to relegate Iveco Ford to second place for the first 10 months as a whole, although the gap was a mere 14 registrations. Leyland Daf's totalled 11,059 compared with 11,045 for Iveco Ford.

However, Iveco Ford can claim a faster growth rate. Registrations were up by 24.97 per cent in the first 10 months compared with the same period a year ago. That compares with a 4.5 per cent increase for Leyland Daf. The comparison can be made only by adding Daf's sales to those of Leyland Trucks as separate entities last year.

Mercedes remained unchallenged for third place with 7,187 units registered in the first 10 months, an increase of 7.82 per cent, although its October registrations were down by nearly 14 per cent to 872.

The performance of Mercedes has been a key factor in the further market penetration by importers in the first 10 months to 41.96 per cent from 39.41 a year ago.

Total truck registrations in the first 10 months reached 49,114, up 6.6 per cent on a year ago.

Registrations of car-derived vans and micro-vans fell slightly last month to 8,664 (8,815), bringing the 10-month total to 88,659 (85,427). Those of medium vans were almost unchanged at 10,492 (10,509), with IBC, the joint company set up in September by General Motors and Isuzu of Japan to take over Bedford's van production, blaming restructuring and associated supply shortages for a drop in October registrations to 559, compared with 906 in the same month a year ago.

Gas blast was 'unique disaster'

FINANCIAL TIMES REPORTER

THE DESIGNERS, builders and owners of Abbeystead pumping station in Lancashire denied in the Court of Appeal yesterday that they were to blame for the explosion at the station in May 1984, in which 16 people died and 28 others were seriously injured.

The methane gas explosion that wrecked the station's valve house was a "unique disaster" which took the water industry and consulting engineers completely by surprise, said Mr David Gardam, QC, for Binnie and Partners, the civil engineers that designed the station.

Binnie and Partners, the North West Water Authority and Edmund Nuttall, builders of the £68m water distribution scheme, are all appealing against Mr Justice Rose's decision at Lancaster High Court in March that they were to blame for the disaster.

The judge held that Binnie and Partners were primarily responsible and must accept 55 per cent of the blame, while the water authority was 30 per cent responsible and Edmund Nuttall bore 15 per cent of responsibility.

The injured and dead were among a party of villagers invited to visit Abbeystead.

If the appeal succeeds, the 31 survivors and relatives of the victims, who have already been awarded £3,500 interim damages, will be barred from claiming damages, expected to exceed £3m, unless negligence is established by at least one of the three appellants.

Mr Justice Rose held that failure at the design and construction stage, negligence in appreciating the methane danger and a decision not to change the valve house design were the main causes of the explosion.

Yesterday, Mr Gardam told the appeal judges: "The evidence is sufficient to show that Binnie and Partners are not liable."

Growth in home phone sales 'from extra extensions'

BY DAVID THOMAS

UP TO a quarter of homes in some regions do not have a telephone. As a result, growth in home telephone sales may come from existing subscribers acquiring an extra line or more extensions, according to a report by Mintel, the research consultancy.

The report, based on a survey of 1,550 people by British Market Research Bureau, found that only 14 per cent of homes nationwide were without a phone, but that figure rose to a quarter in Scotland and Wales. In the south-east, by contrast, it was only 7 per cent.

Mintel argues that more domestic phone sales could come from persuading people working at home to take a second line. The report says the West German Bundespost has been successful in doing that.

The survey disclosed considerable interest among domestic customers in the new right to carry out the do-it-yourself installation of extension phones.

The report argues that telephone purchases by businesses will fall from 1.5m last year to below 1m by the end of the decade as many businesses complete the modernisation of their telecommunications.

Mintel expects the recent trend of steeply falling prices for telephones to continue, with particularly marked price decreases for more sophisticated products such as cordless and hands-free phones.

It predicts that sales of telephone answering machines will more than double from 350,000 in 1987 to 750,000 in 1991 as average prices for the machines tumble.

The report, which also covers private exchanges, mobile communications and telephone services, suggests that some claims about the impact of telecommunications liberalisation have been exaggerated. It argues, for instance, that the UK manufacturing industry's grip on the private exchange market has not been seriously weakened by greater competition.

Telecommunications. Mintel, Kae House, 7 Arundel Street, London WC2R 3DR, £1,100.

North Sea drilling work 'may return to 1985 level'

BY MAURICE SAMUELSON

NORTH SEA drilling activity may return to the peak levels of 1985 next year, says a study of the oil industry's planning intentions by Petrodata, the Aberdeen-based oil industry analysts.

This is the second report in a week to break with the gloomy outlook of most industry forecasters.

According to Petrodata, North Sea rig demand next year will be at least 40 per cent higher than this year and rising demand for both semi-submersible and "jack-up" rigs will stretch available supply in the spring and summer season.

Assuming there is no big shift in the economics of exploration and production, the report expects drilling activity to approach the peak levels of 1985.

In the UK sector, deep-water mobile drilling rig activity should rise by up to 60 per cent compared with the average anticipated this year.

Overall growth for the North Sea would be slowed by only small increases in Norway and Denmark but faster recovery is expected in the Netherlands.

Wood Mackenzie, the Edinburgh-based stockbroker, in its annual survey, said last week that drilling activity should return to peak levels by 1992, but that in spite of the improvement in activity, the industry was likely to be affected by excess capacity into the 1990s.

Laura Ashley Welsh plan

BY ANTHONY MORETON, WELSH CORRESPONDENT

LAURA ASHLEY is expanding its mail-order business in Newtown, mid-Wales, in the next two years and will move into a factory six times as large as its present premises.

The international textiles-to-garments business will add 80 people to its workforce.

More than 100 additional jobs will be created by three other expansions in mid-Wales, announced in Cardiff yesterday by Mr Leslie Morgan, chairman of Mid-Wales Development, the quango charged with regenerating the area.

Mid-Wales Yarns is to spend £1m on boosting carpet-yarn output at Llandrindod Wells; Cobanna is taking a further factory in Bala to expand production of Victorian-style lingerie; and Locwyn, which manufactures specialised storage and retrieval systems, is moving from Havant, near Portsmouth, to Newtown.

Mr Morgan said the corporation had helped to create more than 1,000 jobs in the first half of this year, "particularly gratifying because we were set up in 1977 to help stem rural depopulation. You cannot do this without creating jobs for people in this very rural part of Wales."

He reported that mid-Wales was now letting 7,250 sq ft of factory space a week, more than a third higher than a year ago.

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UK NEWS - PARLIAMENT and POLITICS

King looks to final assault on terrorism

BY IVOR OWEN

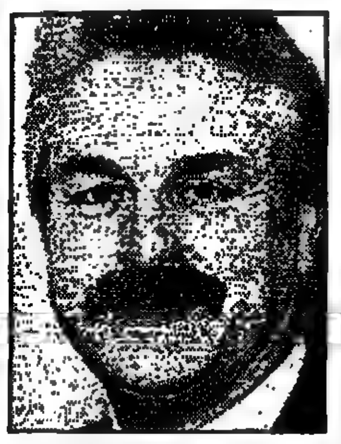
SO WIDESPREAD has been the horror and revulsion caused by the massacre at the Enniskillen war memorial on Sunday that it will be "hugely counter-productive" and may create the platform from which a final assault can be made against the evil of terrorism, Mr Tom King, the Northern Ireland Secretary, told the Commons yesterday.

While there was universal condemnation of what he described as an "appalling outrage" and repeated pleas that there should be no retaliatory action, many Ulster Unionist MPs insisted that expressions of sympathy were not enough and pressed for tougher security measures.

Mr James Kilfedder (UUP, North Down) callled for "total, all-out war against the Provisional IRA", starting with a proclamation of martial law, a return to internment without trial, and the introduction of identity cards linked to a single computer able to register the address of all citizens.

Mr King promised to consider all the views expressed, but stressed that leaders of the Royal Ulster Constabulary were still opposed to the reintroduction of capital punishment for terrorist offences and rejected criticism of the Anglo-Irish agreement.


James Kilfedder: urged all-out war against IRA


Ken Maginnis: 'total letdown for my suffering people'


Tom King: condemned an 'appalling outrage'

He emphasised that if anyone was suggesting that the efforts of the security forces in combating terrorism would be promoted by acting alone and not in co-operation with the authorities in the Irish Republic "I could not possibly disagree more".

Mr Kevin McNamara, a Labour spokesman on Northern Ireland, said the reaction to the horrific massacre at Enniskillen should be one of "cold fury" and a determination to support the forces of law and order in their efforts to bring those responsible to justice.

He said the outrage "gave the lie" to any suggestion that it was possible in a democracy to flirt with those who supported the policy of the bullet and the ballot box.

The Rev Ian Paisley, leader of the Democratic Unionists, who made an unsuccessful attempt to secure an emergency debate, said the people of Northern Ireland did not want sympathy or condemnation of violence.

He said: "They want action to put this violence down, so they might live in peace and get on with the ordinary aspects of everyday life."

Mr Ken Maginnis (UUP, Fermanagh and South Tyrone), who said the 11 deaths at Enniskillen brought the total death roll from terrorist attacks in his constituency to 194, accused Mr King of reciting platitudes which were "a total letdown for my suffering people".

Renewing the attack on the Anglo-Irish agreement, he protested: "All we have been offered is a further abdication of responsibility by the Northern Ireland Office and by this Government to the Government of a foreign state."

He claimed that people living close to the border realised that any co-operation received from the Irish Republic was a "bonus" and was not the basis for proper security which rested with the British Government.

Mr James Molyneaux, leader of the Ulster Unionists, also maintained that the time for the platitudes voiced over the last 18 years had now expired and urged the implementation of decisions which would deprive the terrorists of the hope and expectation of achieving their objectives.

The Anglo-Irish agreement had given them such hope and its "disastrous and fatal message" should now be reversed.

Mr Peter Robinson (DUP, Belfast East) spoke of the widely-held view in Northern Ireland that the Government had refrained from tougher security measures because it feared that the result might be to drive the nationalists further towards the IRA.

After the Enniskillen massacre, he said, the Government should recognise that the IRA believed that the more they resorted to violence the more concessions would be gained.

Mr Roy Beggs (UUP, Antrim East) warned that the House could not go on ignoring the views of Ulster MPs when their constituents were being butchered and murdered. "It is genocide - it's war," he said.

The Rev Robert McCrea (DUP, Mid Ulster) attacked Labour MPs who welcomed members of Sinn Fein with "open arms" and said it was hypocritical of them to express sympathy with the people of Ulster.

Mr John Hume, leader of the SDLP, deplored the "sheer savagery" seen at Enniskillen and called for all those in Northern Ireland to recognise how much they needed each other.

"We will only discover how much we need each other when we sit down together to talk," he said.

Parkinson accused of misleading MPs

BY PETER RIDDELL, POLITICAL EDITOR

MR CECIL PARKINSON, the Energy Secretary, was last night accused by Mr John Prescott, his Labour shadow, of seriously misleading MPs over the reasons for the electricity price increase.

Mr Prescott, Labour's energy spokesman, based his charge on a letter sent by Mr Parkinson to Tory backbenchers and intended to counter-attack criticism by both industry and the Opposition of the 8 per cent-9 per cent price increase from next April.

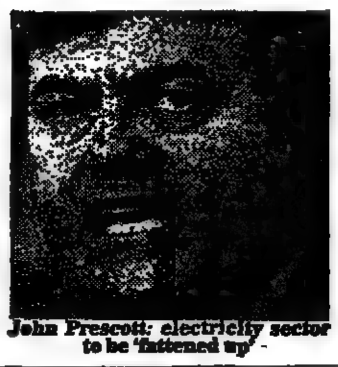
Mr Parkinson justified the rise in terms of the industry's investment plans and the previous decline in electricity prices in real terms in recent years, as well as referring to the special help for people on low incomes.

The figures used by Mr Parkinson were, according to Mr Prescott, either inaccurate, contradicted previous figures by him or were simply misleading.

Mr Prescott said the Government had blamed the industry's investment programme for the price increase, though it had put aside £1bn in the current financial year for depreciation which was supposed to fund replacement of assets.

He said three different figures had been given for the investment programme - £40bn (in the Commons a week ago), £45bn (in the letter to Tory MPs) and £23bn (in a meeting between the Central Electricity Generating Board and the Electricity Consumers' Council).

Mr Prescott said the rises were "a fattening-up exercise before privatisation" and would "cause hardship for millions and will cost millions to industry".


John Prescott: electricity sector to be 'fattened up'

Licensing law reform opponents in protest

BY TOM LYNCH

OPPONENTS OF the bill to reform licensing hours in England and Wales protested angrily last night that the Government was relaxing drinking hours without taking action against alcohol abuse, especially by drivers and young people.

In an angry speech, Sir Bernard Braine (C, Castle Point), a former chairman of the National Council on Alcoholism, said he would rebel against the Licensing Bill on its second reading last night unless the Government pledged strong action on under-age drinking.

Mr Roy Hattersley, the shadow Home Secretary, also attacked the lack of compensating measures against alcohol abuse, and urged MPs to vote against the bill. Mr Hattersley stressed he was expressing a personal view, since Labour MPs had a free vote on the bill, whereas Government whips were demanding Conservative support because the measure was part of the party election manifesto.

However, Mr Douglas Hurd, the Home Secretary, said the current law - obliging pubs to close between 3pm and 5.30pm - was a historical anomaly. The bill, which would end compulsory afternoon closing except on Sundays, was "common sense" and would generate "significant additional employment" - the British Tourist Authority had estimated 50,000 extra part-time jobs.

Challenged by Mr Charles Morrison (C, Devizes) on why he did not include Sunday opening in the bill, he referred to his defeat last year on the Sunday Trading Bill and said: "I want to get this bill through. It would be a mistake to overload the measure."

However, he did not rebut Mr Hattersley's contention that the bill was capable of being amended in committee in such a way as to include Sundays.

Mr Hattersley argued that the passage of the bill would render inevitable the extension of afternoon opening to Sundays.

He supported the principle of more flexible licensing laws, but opposed the bill because it provided extra opportunities for individuals to drink without including safeguards for society as a whole.

In particular, he urged tighter curbs on television advertising of alcohol, which he said too often linked drink with social and economic success. He called for measures to reduce alcohol-related crime and drink driving, and to guard against under-age drinking.

Mr Hattersley and other critics attacked ministers for bringing the bill forward when a committee established by the Government two months ago to study alcohol abuse had not delivered its first report. He said any legislation should embrace both licensing hours and measures to combat drink abuse.

Sir Bernard joined Mr Hattersley in arguing that the Scottish evidence was contradictory and in accusing ministers of bowing to pressure from the brewing industry. He argued that the reform of opening hours in 1961 had led to an "appalling state of affairs." Consumption had doubled and drink was linked to a variety of social evils.

Extended hours win support

Most pub-goers in England and Wales welcome the proposed relaxation of licensing hours, according to a survey published yesterday.

A poll by Public Attitude Surveys showed 64 per cent of adults who visit a pub or club for a drink at least once a week favoured afternoon opening and 55 per cent wanted Sunday afternoon opening.

Those who did not visit a pub regularly were also in favour of extended opening hours with 51 per cent supporting afternoon opening for at least some days of the week and 45 per cent in favour of Sunday opening.

Liberalising hopes for public houses turn into a brawl

"I DON'T know when the Home Secretary was last in an inner city public house," intoned Roy Hattersley, Labour's front bench home affairs spokesman, as he fixed Douglas Hurd with a belligerent eye during yesterday's debate on the Licensing Bill.

Quite so. The urbane Mr Hurd is the type who would be more at ease sipping a dry sherry in the senior common room than sinking a pint in the Bricklayer's Arms.

Nevertheless a few hours spent in one of the tougher public bars would have been good training for the rough and tumble of the debate on the bill which will liberalise licensing laws by removing the restriction on weekday afternoon opening.

Any Commons measure to do with booze always brings forth enraged MPs who are supporters of the temperance movement. They pop up in all political parties and are most intemperate in their arguments.

So it was not surprising that the debate seemed to follow the pattern of the typical bar room brawl. First there was an angry muttering from the back benches and then the first verbal punches were thrown. As antagonists from both sides of the argument assailed Messrs Hurd and Hattersley from all quarters it was difficult to know who was fighting whom.

In any case, the promise to liberalise pub opening hours was in the Conservative manifesto and Mr Hurd was lumbered with the job of getting it through the Commons. To persuade his own reluctant backbenchers he kept insisting that it would abolish the "forbidden afternoon" when thirsty and uncomprehending foreign tourists go hunting for a drink only to find the doors closed.

It was, he wheedled, only a "relatively modest measure."

At this the austere Donald Anderson, a Methodist preacher, rose on the Labour benches to demand whether alcohol consumption would decrease or increase as a result of this "modest measure".

Some Tories wanted to know why the liberalisation could notapply to Sunday as well and, in an attempt to placate them, Mr Hurd pointed out they could always move an amendment to that effect during the committee stage of the bill. He was immediately challenged on this by Mr Hattersley who wanted to know if he was offering an opportunity for such an amendment at a later stage.

When this brought a non-committal reply from the Home Secretary, that formidable Tory lady, Mrs Elaine Kellett-Bowman jumped up. In menacing tone she demanded an assurance that if such a misconceived amendment was put forward he would have no part of it.

Wisely the Home Secretary thanked her for putting the "counter-balancing argument" and beat a hasty retreat.

From the Labour front bench, Mr Hattersley boasted that, unlike the Tories, the Labour MPs were being allowed a free vote on the second reading of the bill. This left him in the unusual position of not having to accept a party line laid down from Labour headquarters at Walworth Road.

Despite the non-party nature of the debate, Roy had to have a dig at the Tories. He had been swatting up his history and quoted Gladstone as saying that the subject of licensing was not a fit subject for conversation between gentlemen.

That, he said, would allow him to continue in the debate but might disqualify Mr Hurd. He also recalled that Gladstone

PARLIAMENTARY SKETCH

had referred to the Tory Party being washed to power on a sea of gin and beer.

Naturally Roy classed himself as being in the group knownas "responsible drinkers". But he could not resist a swipe at the bourgeoisie by declaring that in Britain "alcohol is the acceptable addiction of the middle class".

Tory MP Eric Forth indignantly pointed out that there were six million members of working men's clubs who enjoyed the consumption of considerable quantities of alcohol on their premises.

But perhaps Roy had been unwise to indulge in Marxist analysis. After all, even crochety old Karl was keen on a jar or two during his long exile in London.

John Hunt

BBC gives undertaking to Labour on coverage

BY RAYMOND SNODDY

THE BBC gave an undertaking yesterday that in future the Labour Party could have any examples of what it saw as unfair treatment of the party's affairs promptly examined.

The undertaking was given yesterday at a meeting between Mr John Birt, the BBC deputy director general, and Mr Neil Kinnock, the Labour Party leader, according to Labour Party accounts.

The meeting was called to discuss Labour Party complaints that since the general election, coverage has been unfair to the Labour Party.

The meeting between Mr Kinnock and Mr Birt, came after Labour went public last month over complaints that the BBC had been sycophantic in its coverage of Mrs Thatcher, the Prime Minister, at the Commonwealth summit in Vancover and uncritical in its reporting of the Conservative Party conference.

There were also complaints of insufficient balancing comments from opposition spokesmen in post-election news coverage.

Mr Birt, who is also head of the BBC's recently created news and current affairs directorate, denied absolutely that there was any institutional bias in the BBC's coverage of the Labour Party.

In future the party can raise contested issues directly with Mr Birt. One of the deputy director general's main tasks at the BBC is to improve the standards of BBC journalism, partly through the creation of the unified news and current affairs directorate and the creation of specialised reporting teams in areas such as politics and economics.

Neither the BBC nor the Labour Party would comment yesterday on what was a private meeting except to say that there had been a frank and constructive exchange of views.


John Birt: denied BBC bias against Labour

P&O scuppers plans for party

P&O HARBOURS Ltd has cancelled a party it was to have given tonight to coincide with the final Commons stage of a private bill after claims that parliamentary privilege could have been threatened.

The company was accused at the weekend of preparing a lavish champagne reception for MPs at a hotel near the House. Yesterday P&O Harbours said: "Sponsoring MPs for the Felixstowe Dock and Railway Private Bill have suggested arrangements for Tuesday evening should be cancelled, and this advice has been accepted."

If the bill is finally enacted it will lead to a 225-acre expansion of Felixstowe harbour, which P&O Harbours owns.

Following allegations that a "champagne bash", was being planned, the Labour Party, which opposes the bill, said the reception was "perilously close to a breach of parliamentary privilege".

Sir Eldon Griffiths, Conservative MP for Bury St Edmunds and a leading supporter of the measure said yesterday: "The importance of upholding the integrity of the House and its members in the light of these criticisms has led us to invite P&O to call off its offer."

He said that if the bill was defeated [illegible] new jobs and £100m of private investment at Felixstowe would be lost.

Marketing cost of BP

BY OUR POLITICAL EDITOR

THE TOTAL UK marketing cost to the Government of the recent sale of British Petroleum shares is estimated at about £39m, according to official figures released last night.

A series of parliamentary written answers from Mr Norman Lamont, the Financial Secretary to the Treasury, reveals details of the cost of marketing and advertising the flotation which turned out to attract little public support because of the fall in the stock market.

Within the overall marketing budget, the total cost to the Government of advertising the BP share offer is estimated at about £18.25m (excluding value-added tax).

Of this about £5.9m was for newspaper advertising, including publication of the prospectus, about £6.5m for television advertising, and about £950,000 for other media.

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MANAGEMENT: Small Business

Where prosperity exacted a price in Campobasso

John Wyles on the training challenge facing an Italian company

THE SEVEN-STOREY tower lording it over a modest industrial estate outside a little-known town in southern Italy is at first sight a touch too majestic to be associated with a small business.

But the modesty of the surroundings and the anonymity of Campobasso are a more appropriate setting for Mangimificio Molisano, a thriving example of the hundreds of thousands of small and medium-sized businesses which drive the Italian economy.

In fact, the concrete citadel is a clue to the activity of this relatively young family company with very mature ambitions. MM, for brevity, manufactures animal feeds in a system which passes raw materials through a lofty and lengthy network of machinery. The finished product emerges as pellets of various sizes and hues and their cost and efficiency is a major factor determining the prosperity, or lack of it, of more than 1,000 livestock producers who buy from MM.

MM's products are more often than not the nucleus for a feed mixture assembled by the pig or rabbit breeder, cattle herder or poultry farmer, and the user will frequently want advice on what mixture to feed. The unassuming offices alongside the manufacturing plant are therefore as much a consultancy as an administrative centre.

"It is important that customers should feel able to come and talk about their problems and to see if we can help. Obviously it is extremely useful for us, for we can learn very quickly if a particular feed is giving the desired results," says Giovanni Fiorilli, MM's 45-year-old managing director.

A quietly-spoken bespectacled accountant, he prides himself on leading a company bound together by ties of loyalty and affection. There are two other Fiorillis in the business, both cousins of his, one working as company accountant and the other as one of its veterinarians. The latter function is particularly important in both pushing forward product development and managing the relationship with clients.

The technological component in animal feed manufacturing can be easily underestimated. When Fiorilli set up the company in 1974, one of the first things he did was to equip a laboratory.

Quality control can only be assured by analysing the quality of the various inputs - feed grains, soya and some meats - and also by monitoring the finished product.

Maintaining the function, however, is a problem. The region of Molise has emerged as one of the most prosperous in the Mezzogiorno; nonetheless, its small entrepreneurs have the same difficulty in finding suitably trained technicians as their counterparts in Campania, Apulia and elsewhere in the south.

"Some people say that the schools are the problem. I don't think so. It is much more a question of weakness in higher education. We have spent a lot of money training our people, or otherwise we could not have done business," says Fiorilli.

MM remains, nonetheless, a small employer; its production operation is massively automated and two technicians can control the entire process.

When it opened its doors in 1977, the company employed 18 people as against a current payroll of 28. Production, however, has steadily increased from 200,000 quintals of animal feed in 1980 to 380,000 last year. Fiorilli says that he will reach 700,000 quintals "in two to three years."

All of which is a long way from the family flour mill business which he entered 20-odd years ago after qualifying as an accountant. In a fairly common story of generational change in a small business, youth, represented by Giovanni Fiorilli, saw the limitations of the existing business and the need for diversification.

He also identified, quite correctly, the absence in Molise of animal feed suppliers.

The family was granted the region's first licence to produce animal feed in 1963 and, after a decade learning about the market, it then decided to build a purpose-designed plant.

Technical expertise was provided by Lino Tofi, a specialist engineer, who is now president of the board and a minority shareholder, but not involved in full-time management.

Financing came from the now-defunct Cassa di Mezzogiorno which provided 40 per cent of the initial L2bn (£0.9m) investment as a grant and around 30 per cent as a cheap loan.

But whatever the virtues of this state development agency, efficient administration was apparently not one of them. The Fiorillis pressed ahead with their construction, once assured of the financing, only to spend two-and-a-half anxious and difficult years waiting for the money to arrive. "We had to go to the banks at a time when interest rates were astronomical," says Fiorilli, still wincing at the memory.

Not surprisingly for an accountant, Fiorilli lays great stress on the importance of cost controls to keep his business sound.

The livestock producers of the Molise are by no means insulated from foreign competition and the low-cost output from the Netherlands, for example, is a constant source of pressure to keep MM's selling prices down. Giovanni says that margins are, therefore, usually low, although MM had a very good 1986, thanks to a fall in raw material prices.

Turnover rose by 21.8 per cent to L12.846bn (£5.8m), while gross profits more than doubled to L1.617bn (£735,000).

But building a good relationship with the customers also involves what some may see as generous credit arrangements. While MM has a 30-day payment period with its suppliers, it allows its clients up to 60 days. Its 1986 accounts showed an increase in customer credit from L3,688bn to L4,383bn, a rise only partly reflecting the increase in turnover.

"Of course, we have to make sure that customers pay, but we have close relationships with them and we help them when the going is difficult," says Fiorilli.

Nevertheless, financing a

Giovanni Fiorilli: open mind on family succession

small business in Italy, once the generous start-up grants have been absorbed, is not cheap.

While Fiat and other giant corporations negotiate their own rates with the big banks, small businesses pay a premium of 3 to 4 percentage points more. But, again, being part of a local infrastructure is important, and MM apparently has a fruitful and understanding relationship with the local bank in Campobasso.

One advantage the small business can enjoy in the shadow of the giant corporation is the absence of trade unions. Fiorilli sees no need for them in his company. He applies the national agreement for the general food industry which means that his top-paid workers take home around L1.5m-L1.7m a month - a wage, it must be remembered, which is paid for 14 months in line with general Italian industrial practice.

Though only 45, Giovanni is already giving some thought to the eternal family business problem of managerial succession. He has an open mind in the sense that he will not require his two daughters and son to follow him. Moreover, he says the guiding principle must be "the person in charge is the most able in the company."

He is also aware that there may come a time when MM, already a product of diversification, must again diversify in order to keep growing. He has no idea yet of the new path to be pursued and talks vaguely of "advanced agriculture," not at all deterred by current production excesses in the European Community.

He is adamant that there is no secret to understanding the success of small businesses in Italy. They simply do the basic things well. But they also draw great strength from the strong regional identity of their people.

Government purchasing proposal

BY CHARLES BATCHELOR

GOVERNMENT departments in the UK are being encouraged to buy more goods and services from small firms. John Cope, small business minister at the Department of Employment, urged senior purchasing officials at a seminar last week to make a special effort to include small firms in their buying plans.

Cope was at pains to point out that while small firms would benefit from a more accommodating purchasing policy on the part of government this initiative was part of a programme to get value for money for the taxpayer.

It was ordinary commercial prudence not to depend on a single supplier for a particular item, he noted. Competition among suppliers would lead to improvements in prices, delivery and quality for government departments.

An advantage of using small suppliers was that their lines of communication were short so they were responsive to customers and resourceful in serving them.

"With a small firm you are much less likely to find that the despatch department didn't realise the order was urgent, because the people who despatch it are the same as the people who make it," he said.

Small firms do, however, face difficulties in trying to sell to government departments. They do not have specialist staff combing Whitehall for opportunities and government departments can loook very inhibiting from the outside.

A small business might have difficulty tracking down the purchasing officer of a particular department from the "often opaque entries in the telephone books." Many assume, normaly incorrectly that that all purchasing is arranged centrally on a huge scale and they are unwilling to go to the expense of putting in a speculative tender if there does not seem much chance of getting the order.

The government does not want to adopt the US practice of requiring departments to make a certain percentage of their purchases from small firms, but it does want to give them equal access to government contracts, Cope said. It is willing to help by putting local purchasing officials in touch with local suppliers through its regional enterprise units.

Regional support

Need for stronger network

Ian Hamilton Fazey on a proposal to improve survival rates

THE CRUCIAL nature of professional support for small business has been emphasised in new research conducted by the Manchester and Liverpool offices of Investors in Industry (3i), the development capital provider owned by the Bank of England and the main clearers.

They have looked closely at the performance of smaller and medium-sized companies in the north-west - including the reasons why some succeed and others fail - and have come up with a special approach to help more of them succeed further.

The conclusion reached by 3i is that there is a need for an even stronger network of support than exists at present to help businesses survive and grow. It is setting one up in the north-west, sponsored by its Manchester office, to encourage and build upon what Peter Folkman, the local 3i director, says is a strong regional climate of enterprise.

In the first half of the 1980s the region did better for small business start-ups than anywhere in the UK outside the south-east, accounting for 10.2 per cent of the 818,900 start-ups in the period.

This may seem small beer compared with the south-east, which did 38.6 per cent of the total, but the north-west was nearly 12,000 start-ups ahead of the west Midlands, which itself accounted for 8.7 per cent of the total (see table).

Part of the reason why may well be that the north-west has the most comprehensive network of enterprise agencies in the UK, which started there in 1978 with the Community of St Helens Trust, followed the next year by Rossendale.

Within six years it had 27 operating and another nine in formation or being planned. By contrast the West Midlands had 12 and Yorkshire and Humberside 10 at the time. Even the south-east then had only 17.

The agencies have helped improve the climate in which small businesses start up and operate in the early years and have been particularly good at helping people avoid many pitfalls that could lead to early failure. However, support alone is not enough; the small business starter has to have talent and the right qualities to begin with.

To have any chance of success, 3i's research suggests that the key entrepreneurial skill is an ability to solve problems. This is much more important than craft skills or the strength and endurance required from, say, factory floor employees.

Skilled manual workers or employees in small to medium-sized operations are more likely to acquire problem solving abilities than unskilled workers or employees in large plants. They are therefore more likely to start their own businesses.

This also helps explain regional differences. The north-west and west Midlands have larger pools of these sorts of people, in contrast, say, to the north-east, where there has been a generations-long reliance on very large employers.

BUSINESS REGISTRATIONS BY REGION 1980-84

Region	Number reg.	%
South-East	316,100	38.6
North-West	83,200	10.2
West Midlands	71,500	8.7
South-West	69,600	8.5
Yorks + Humber	62,400	7.6
Scotland	53,100	6.5
East Midlands	53,100	6.5
Wales	37,200	4.5
North	31,000	3.8
East Anglia	29,400	3.6
Northern Ireland	12,300	1.5

This is reflected in the fact that, collectively, small and medium-sized companies have the major stake in the Manchester economy, with 63 per cent of manufacturing companies employing fewer than 500 people each.

Indeed, comparison points up the relatively dependent nature of the Merseyside workforce, where 70 per cent of those in manufacturing work in plants with more than 500 employees. Where Merseyside scores is in a strong tradition of smaller businesses in the service and distribution trades which live off the larger companies.

Education also counts. People with a degree or professional qualification were best at starting up a business and showed the fastest rates of growth.

These people were also more creditworthy, even though 3i says that it is now much easier to raise capital because of a proliferation of venture capital funds in the last two years.

However, 3i warns that much higher house prices enable people in the south-east to raise larger sums by way of a second mortgage, with further distorting consequences to the start-ups league table.

The research suggests that survival depends on four factors - the age of the business, its size, the breadth of the management team and the spread of the shareholders.

The age of the company is the single most important factor in survival. About 10 per cent of businesses fail within the first 12 months and a further 30 per cent during the next two years. After 10 years, only 40 per cent could be expected still to be trading.

"It would appear from this analysis that efforts put into supporting a new company in its early years will greatly improve its chances of success," 3i says.

The influence of the breadth of the management team is reflected in the fact that failed businesses tended to average three directors each while the successful companies average four. While this reflects size of business it usually also indicates wider experience on the board and the possible involvement of non-executive directors, who bring objective advice.

Similarly, failed companies had an average of 0.8 shareholders who were not directors, compared with 1.1 for those which succeeded.

Nevertheless, 3i's experience has been that even though they were ultimately successful, about one-third of companies were at one time very close to failure.

At this stage the quality of advisers is crucial. A good understanding of a business by its banks or an individual investment executive has often ensured support and more money in the face of imminent failure. Many businesses treated in this way by 3i have gone on to great success.

It is therefore setting up an experimental network in the north-west to help the most promising young businesses in the region to grow.

Moo Moo

To most people she's just a cow.

In fact Gertrude is a valued and esteemed supplier, helping to satisfy the ever growing needs of Express Foods.

Express have always been one of the leading independent operators in dairy products in the UK and Eire. They have held that position through product innovation, brand development and, less obviously, through another Grand Metropolitan success, Bailey's Original Irish Cream.

Express supplied the 36 million gallons of milk needed to produce enough high quality cream for the 2.5 million cases of Bailey's that we sold around the world last year.

For dairy products with less of a kick, Express offers cheese, desserts and yogurts from Eden Vale and Ski. And they go way beyond the dairy with a delicatessen range from Aylesbury Foods, and luxurious gateaux and pastries from Fleur de Lys.

Grand Metropolitan never just acquires a business; it makes it better.

Grand Metropolitan is now one of the UK's largest, most broadly based international companies. Its strengths are Specialist Retailing, Drinks, Food and Hotels & Gaming. By building on these strengths it is succeeding in more countries and with more customers.

And it is still growing rapidly.

Which isn't surprising. Its philosophy is, after all, to develop and add value to all its brands, businesses and properties.

Not just to milk them.

GRAND METROPOLITAN

....adding value

25th YEAR ANNIVERSARY 25 1962-1987

BUILDING CONTRACTS

Gleeson in £11m projects

M J GLEESON GROUP has been awarded 11 contracts totalling almost £11m.

At Livingston, West Lothian, the company is commencing the £3.1m development of a 25-acre site to provide five steel-framed factory units for the Development Corporation.

In the North-East, Gleeson is about to commence the £1.1m repair and insulation of two 14-storey blocks of flats for Newcastle upon Tyne City Council. The group is also building eight factory units, together with drainage and external works, at Boldon Colliery Industrial Estate for South Tyneside Borough Council, worth £501,382; and a single-storey day centre with a connecting link to the EMI Day Hospital for Sunderland Health Authority, at a cost of £385,367.

At Sheffield, the company is to build four two-storey industrial units worth £1.9m for the city council at the Lower Don Valley new employment zone, and is undertaking £509,000 of civil engineering works in connection with a district heating scheme. Work is about to begin too, at Haslington, Lancs , on the construction of sheltered housing worth £1.2m for North British Housing Association.

In the south-east, Gleeson is to undertake the total refubishment and extension at around £1.6m, of a shopping centre at Epsom for Friends Provident; and is to build in south east London air crew accommodation for the Civil Aviation Administration of China at a cost of £461,000.

A subsidiary, Concrete Repairs, is repairing a quay at Harwich for Sealink, and another at Lowestoft for Associated British Ports - the total cost of the work is almost £100,000.

*

MOWLEM's £6m contract for basement works at the British Library site has 'bottomed out' two months early. The work, which started in July 1985, has comprised the construction of concrete basement slabs to four levels below ground, operations being carried out by the "top down" method.Some 125,000 cu metres of London clay were excavated floor by floor, working through access holes left in the concrete slabs. Other operations included the breaking out of temporary columns and removal of Armco casings and gravel fill surrounding steel columns installed by Mowlem under a previous £500,000 contract.

The company has started work on two further contracts at the same site together worth an additional £7m. The largest, worth £5m, is for brickwork and blockwork and involves laying handmade facing bricks which will form the outer face of the British Library superstructure and also some 5.5m common bricks to provide partitioning and perimeter walls within the basement and superstructure. Work has started for completion in 1990.

The second contract, worth £2m, is to provide a loading bay and cooling towers for an air-conditioning system together with a link corridor connecting it to the main building. The contract also includes a subterranean water and oil storage tank facility for the air-conditioning system. Work has started for completion in spring 1988. It is for the Property Services Agency under Laing Management Contracting.

*

The AGATE GROUP, Heanor, Derbyshire, has orders for new building, civil engineering, major earthworks and quarry reclamation schemes which total over £13m.

Osmond Aerosols of South Humberside has awarded construction of its £2.48m medical and personal care production facility at Foxhills Industrial Estate, Scunthorpe. Bonar and Flotex has ordered a £1.2m warehouse extension to its premises at Ripley, Derbyshire. Both contracts have commenced for completion by summer 1988. Two further contracts are pending, adding another £1m to the total.

Scheduled for commencement in February is a new tourist and business development at Swanwick, Derbyshire for Mobil Oil. Having a total construction value of £3.5m, the overall scheme will comprise a 60-bedroom hotel with restaurant facilities for 200 people adjacent to the main A38, Leeds to Exeter trunk road, in addition to incorporating a petrol filling station, motorists' shop and tourist information centre.

Agate Plant Services has secured a two-year contract at Clee Hill, Shropshire for a subsidiary of the Consolidated Goldfields Group. Work has started on this £6m quarrying contract.

*

Contracts worth almost £4m have been awarded to BUXTON BUILDING CONTRACTORS for a hotel extension in Surrey, and homes throughout London.

A 24-bedroom extension is to be added to the Ladbroke Lodge hotel at Basingstoke under a contract worth almost £832,000 for Comfort Lodge (UK). The seven-month project includes a conservatory restaurant extension, syndicate rooms and suite.

At Carlton Drive, Putney, work has started on a £1.1m, 65-week contract for 25 flats and communal facilities for the elderly, for Richmond Upon Thames Churches Housing Trust.

Under a £775,000 contract, due for completion in a year, 15 high-quality houses are to be constructed at Park Avenue South, Alexandra Palace, for Buxton Homes.

In Cromwell Road, Wimbledon, a building is to be demolished, and 24 two-bedroom flats constructed under a contract worth more than £668,000 for Trac Office Contracts.

A project worth almost £550,000 is due to begin soon at Christchurch Park, Sutton, for 16 flats in three two-storey blocks, together with car parking and external works, for the London Borough of Sutton.

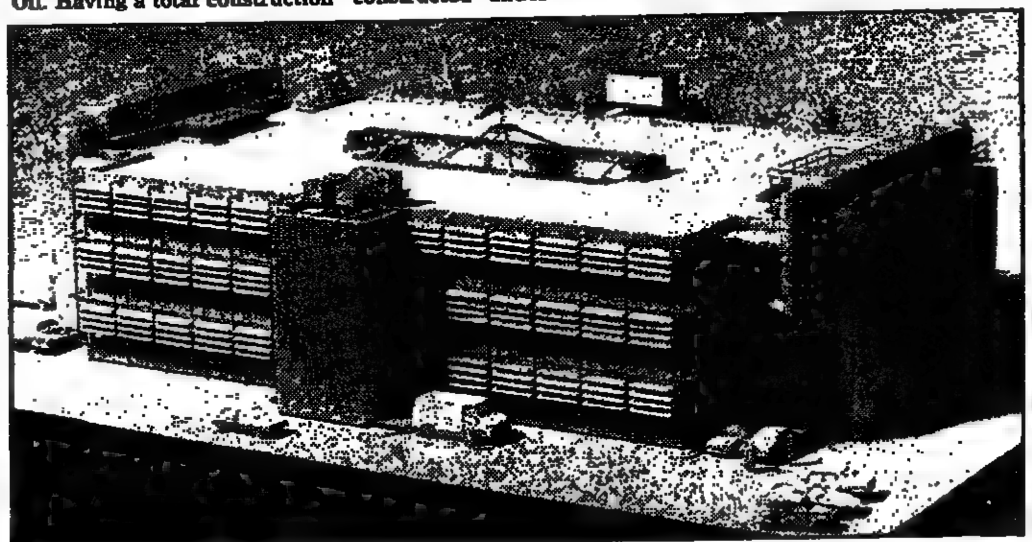
*

COSTAIN CONSTRUCTION has been awarded a £8m contract by Tesco Stores to build a 6,900 sq metre superstore at Stairfoot in Barnsley, South Yorkshire.

The steel- framed, single- storey building will be supported on strip and pad foundations and will have brick-clad elevations with large, glazed shop fronts. The Trocal flat roof structure will be disguised around its perimeter by a tiled, pitched roof detail. A reinforced concrete floor slab, containing voids for the distribution of refrigeration and other services, will be surfaced in terrazo tiling.

The store is to be fitted out under the contract and this will entail installation of all plant, shelving and specialist retailing equipment. Apart from the main retailing floor, the store will also comprise staff amenity areas, dry warehousing facilities, fresh food preparation areas, and an in-store bakery.

Externally, Costain will construct service roads and a goods inward yard, a car park for 750 cars with covered walkway, and a petrol filling station. Road works linking the superstore into Wombwell Lane, traffic control, and a sewer diversion on the perimeter of the site will also be carried out.



WIMPEY is to build a three-storey research and devlopment building in Bessemen Road, Welwyn Garden City, Herts., for Xerox Research (UK). The contract, valued at £4.01m, is due for completion in November next year. The building will have a central barrel-vaulted roof atrium, and perimeter pads containing conference rooms, toilets and kitchens. The external envelope will have a curtain wall system with steel external catwalks and sun shade louvres. The work includes specialist partitions, and is highly serviced and fully air-conditioned. Ground level carparking is included. Our picture shows an architect's model of the project.

FINANCIAL TIMES
SURVEY

The transfer of technical advances to the market is becoming much faster and more competitive. The universities are developing commercial expertise to push their work into the business arena and earn licence fees, as **Peter Marsh** reports

Big rush to the market


David Worth

Technology Transfer

CONTENTS

TECHNOLOGY IS rushing from laboratory to market place at an ever-increasing speed. And the technical ideas themselves, whether bound up with electronics, new materials or factory engineering, are having a wider and more pervasive effect in a bigger cross-section of industry.

These two factors are behind the increased interest in recent years in technology transfer, the all-purpose phrase for the mechanisms of ensuring that technical ingenuity is channelled as smoothly as possible from the initial ideas stage to the commercial arena.

Any discussion of technology transfer must start with its inherently human, rather than technical, dimension. The biggest problem in transferring ideas - from the research department of a company to its marketing offices or, in a joint venture, from one company to another - lies in ensuring that the partners in the undertaking are aware of each other's goals, motivations and limitations and are willing to work together.

Much of technology transfer, therefore, is bound up more with psychology rather than with scientific breakthroughs.

Technology transfer is also far from new. It was well known to the medieval cathedral builders who painstakingly transferred to their rough and ready construction sites what knowledge they had of materials and of how structures react to forces.

What has changed in modern times, and particularly in recent years, is both the pace of technical change and its widening influence. Fundamentally new ideas in, say, molecular biology or the physics of microchips are making their way from the laboratory bench into products in as little as five years - a time unimaginably short by the standards of the 1950s or 1960s.

These technical advances are also affecting, either indirectly or directly, a broader range of business activities. A few years ago, technology-based industry could be neatly pigeon-holed into a few sectors such as computers, telecommunications, pharmaceuticals, energy production and aerospace.

While such areas still comprise the lion's share of what is referred to as high-technology industry, there are today few commercial activities that technical advances are not changing, sometimes in radical ways.

Take, for example, the advent of computerised data bases and video screens into the travel trade, or of laser scanners into general retailing. At the same time, more areas of manufacturing, even what have been regarded as low-tech "metal bashing" industries such as metal casting or forging, are altering at a greater rate than at any time since the Industrial Revolution, thanks to advances in areas like automation, new bonding methods and computers.

The increasing speed and pervasiveness of technical change is automatically reducing the gap between basic research, the "curiosity-driven" sort that traditionally went on in academic institutes, and applied research, the kind which companies are best *known for undertaking in* turning reasonably well developed scientific principles into products.

The now substantial area of overlap between the two conventional sorts of research is referred to by Mr Nick Segal, a British consultant specialising in technology management, as strategic research.

This kind of research, Mr Segal noted recently*, "covers those topics which, although concerned with fundamental issues, are perceived as creating knowledge with clear long-term potential for exploitation, though the precise applications of even the generic technologies cannot be forseen.... Taken worldwide, so-called strategic research is probably growing as a propor*tion of overall research.*"

Having identified the need not only to become acquainted with the details of particular technology changes but to integrate these into business operations, how does the industrialist put these policies into action?

Five broad technology-transfer strategies have become evident in recent years. These are: firstly, the university link. Academic institutes in many parts of the developed world have become extremely keen to develop connections with established businesses.

These usually takes the form of joint research ventures but also encompass the setting up of new companies where both the educational centre and the existing concern may have an equity stake.

Some of these activities may take place on science parks, industrial estates normally associated with centres of learning which are reserved for technology-based businesses. In Britain, Cambridge's science park has become a focus for how university academics can work with industry while similar concentrations of academic scientists working alongside established commercial ventures are evident in many parts of the US, most notably in the states of Massachusetts and California.

Much of the motivation for such links comes from the academic establishments, which see them as useful because working jointly with companies can both provide extra income and keep academic scientists in touch with industry developments.

Companies, for their part, may participate in these types of ventures precisely because they give them an insight into an emerging area of technology which the commercial concern might not get from its own research staff.

Second, there are joint research schemes. Government or industry-managed "competitive" *research ventures have become* a growth activity in the Western world.

Examples include the Esprit and Eureka schemes in Western Europe, Britain's Alvey programme in advanced computing technology and a number of programmes in the US electronics industry organised by industry bodies such as Sematech and the *Microelectronics and Computer* Technology Corporation.

In all these cases, the idea is that a group of companies in a particular industry like telecommunications or engineering - which might normally regard themselves as competitors - pool knowledge in areas of strategic research defined under the auspices of the particular programme.

The rationale for these schemes is twofold. On the one hand, it has become generally accepted that - for the good of the international economy - companies in broadly similar areas of business would do well to learn from each other's research strategies at a precompetitive level. As a result, therefore, governments have found it justified to *pump money into research* schemes to help this familiarisation come about.

The second motivation stems from the purely pragmatic realisation that modern-day research is frightfully expensive. It is more cost effective, rather than have different companies duplicate each others' work, to ensure that commercial organisations pool resources in certain areas of research.

The third strategy is the "window" approach. This entails big companies taking strategic equity stakes in smaller ventures, primarily as a way of keeping informed, in a practical "hands-on" way, about an emerging area of technology.

An adaptation of this is to set up a highly focused research centre in a particular technical discipline.

Companies involved in such strategies like to say that this enables them to open a "window" to a new technical discipline that may have fundamental importance to the way they operate commercially.

There are many examples of such "window" stakes in the chemicals and drugs industry, where the major players want to keep informed of changes in smaller companies concerned with technologies such as the physics of new materials or biotechnology.

Japanese companies have been in the fore in developing "window" strategies to find out about technical developments in the West. According to Baring Brothers, the merchant bank, during 1986 Japanese companies paid out more than $500m in overseas investments in mainly small technology-based ventures.

One of the leading players here is Canon, the camera and electronic goods company, which has stakes in several small US ventures. More recently, US and *European companies have been* putting the Japanese approach into reverse.

There is a slight adaptation here as the Western concerns are, rather than buy in to Japanese companies, are attempting to gain insights into Japanese research and development through setting up their own R and D centres in Japan. This strategy *seems particularly marked in the* chemicals industry.

Among the concerns which have followed this idea are Europe's *ICI*, Air Liquide and Ciba-Geigy, and in the US: Upjohn, W.R. Grace, Dow and Du Pont.

Fourthly, there is brokerage. Here a company which wants to gain knowledge about a specific area of technology goes to some *kind of agent which acts as a* bridge with a third party which provides the required expertise.

Some venture-capital companies are attempting to provide this sort of service, by bringing together managers from established industry with people with new and interesting, though perhaps entirely undeveloped, scientific ideas.

The final strategy is Do-it-yourself. For all the welter of technology-transfer schemes involving collaboration with outside parties, far more companies prefer to keep technology transfer policies in-house.

More management time is taken in devising mechanisms to make transfer of ideas from the laboratory to the marketing department as efficient as possible than certainly was the case 10 years ago. Yet outside certain companies which have become well known for getting internal technology transfer policies right - Hewlett-Packard is an often-quoted example - it still seems that many mistakes are made and that many companies would do well to pay yet more attention to this area of their business.

**Higher Education Links, article in journal Industry and Higher Education, September 1987*

Gone are the days when universities and polytechnics were insulated from the commercial world by substantial grants, says **Jeremy Cowan**

Universities boost their earnings from industry

Dr Mirco Knezevic demonstrates his research to improve the electrical performance of milk delivery floats to a group of industrialists attending a one-day seminar at Exeter University.

BRITAIN'S universities and polytechnics are not what they were ten years ago, and some academics are grateful for it. Gone are the days when these institutions were insulated from the commercial world by substantial grants.

A new breed of academic entrepreneur is emerging, particularly in the fields of science and engineering; people capable of identifying a department's commercial strengths and of capitalising on them to benefit both the faculty and its staff.

Universities and polytechnics have not only survived the worst post-war recession, and grant cuts of up to 44 per cent in one year - in the case of Salford - but are now contributing more than ever to the success of the smallest start-up companies and such household names as BP, GEC, ICI and Philips.

They are using a range of methods to sell technology with a vigour that was notably absent before. These include the university liaison offices, conferences such as Techmart, and data services such as British Expertise in Science and Technology (BEST).

Whatever the history, technology is today being transferred between academia and industry on an unprecedented scale. Recent successes include the design of an aluminium oxide ceramic hip joint that is more durable, more compatible with human tissues and is fitted in a new way.

Developed by London's Imperial College, and Morgan Matroc of Surrey and funded by the Science Engineering Research Council (SERC) this has now been successfully tested.

At the other end of the country, pioneering work at Strathclyde University, Glasgow, has overcome many of the problems associated with ship-board installation of "moon pools" through which to lower diving bells. The hazards of launching these over the side can be eliminated by building a moon pool in the centre of the ship.

The most common problem with this technique is that wave heights can be accentuated quite unpredicably in the moonpool. Now a new design from Strathclyde has now been employed in a number of British and Canadian vessels which permits diving in hitherto impossible weather.

In many cases the figures for technology transfer speak for themselves. Birmingham University has shown a dramatic improvement in earnings from the sale of technology, taking its 1981 revenue from industry of £750,000 to roughly £4m last year.

But the discovery of this new earning power has brought problems, too. For example, many universities feel that although they are now earning some of their keep, they are being exploited by industry and government departments who often expect work to be done at cost.

There is also a common feeling that having shared in the research effort on a project, they should have equal rights to the intellectual property resulting from it.

Under the terms of the Government's Alvey scheme, which was aimed at enhancing Britain's information technology industry by collaboration with universities, and the new Link scheme which encourages the transfer of all exploitable technologies, all intellectual rights in joint research fall to the industrial partner.

Further, while some universities are only just receiving their first revenues from selling their services, be it through a poor understanding of their own earning power, a disorganised or half-hearted approach to selling, or simply through having little to offer, some institutions now find more than half their incomes from external sources.

Ironically, this has now left them open to criticism of neglected teaching duties and basic research.

Many universities and their staff now rely on this extra revenue to subsidise modest government grants and salaries. The dilemma is that many feel that compared with private research organisations, their services are so underpaid that the income is not covering overheads, such as the replacement and uprating of laboratory equipment.

"Government departments are as much to blame as commercial companies," according to Auriol Stevens, Director of the Universities Information Unit.

"And if the universities try to improve their financial returns they run a high risk of losing contracts to competitors, particularly in other universities."

One senior industrialist who has some sympathy with this difficulty is Derek Roberts, Technical Director of GEC. But he does not accept that industry is to blame.

"Getting the going rate for research in universities is a problem, I agree. It goes back to the time when the UGC put up money from central funds for research overheads. In recent years the squeeze has meant that overheads have not been fully covered by the UGC."

To earning a realistic fee is just one of the universities' concerns, however. Many smaller companies have in the past complained of difficulty in identifying the right university and department with which to work.

High-technology companies without this back-up have for 18 months now been helped by the Universities Information Unit at the offices of the CVCP in London. Companies can either browse through a list of university contacts published by the CVCP or can use the unit to circulate details of their requirements throughout its network.

The Alvey programme comes to an end next year and is due to be replaced by Alvey 11, about which a government announcement is long overdue. The programme has encouraged commercial contacts between industry and higher education but the universities are unhappy that it has given the academic partners no intellectual property rights.

"It is now being proposed that the same situation should apply in the Link programme," Mr Stevens says. "We believe that the Government should act as an honest broker between the universities and industry, insisting on equal rights for each to exploit their joint researches."

Many in industry do not agree. According to GEC's Derek Roberts: "It is important that industry's intellectual property rights should be protected, but it would be wrong to place too much emphasis on this problem. Only a few per cent of projects ever run into difficulties over property rights."

But if the university feels short-changed at the end of a project is it likely to rush into others in the future?

As Mr Roberts sees it: "Nobody is forcing them into collaborative ventures with companies. Nor was Alvey aimed at improving technology transfer; it was designed to strengthen UK industry.

"Anyway, Alvey (and Link) is a two-way flow of information so if universities want to benefit they must consider links with industry."

He adds: "If the universities change the rules quickly they may lose out. Their research is cheap and if prices rise too much companies will not feel they are getting a bargain and may simply put research out to commercial laboratories or do it in-house."

Industrialists and the Department of Trade and Industry are reportedly finding that the organisational structure of British universities is hindering the solution of industrial problems.

Dr John Parnaby, group director of manufacturing technology at Lucas Industries, says: "Our universities are modelled on a single disciplinary structure when most industrial problems are multi-disciplinary. So companies seeking a solution may have to co-ordinate work from different departments.

"In West Germany though, the universities have industrially-grouped faculties. Aachen, for example, has research institutes geared to industrial needs such as plastics, textiles and machine tools.

"Japan and Germany are the two countries we can learn most from. The UK Department of Education and Science's allocation of $16m to the establishment of Manufacturing Systems Engineering courses, offering multi-disciplinary training, has excited great interest this week from the polytechnics. I hope that this can be extended to the universities," Mr Parnaby says.

He is also enthusiastic about the DTI's initiatives such as the Integration Programme and the Teaching Company Scheme which puts young engineers into a business environment to focus on an industrial problem under academic and industrial supervision.

Most centres of higher education have now woken up to the financial opportunities of collaboration with industry. No one dreamed though, that any would go too far down this road and threaten teaching standards and the quality of graduates.

According to Prof Raymond Smallman, Vice-Principal of the University of Birmingham and head of the department of Metallurgy and Materials Science: "When money was plentiful it was easy to sit at your desk and write a proposal without properly interacting with industry. Perhaps the pendulum has now swung too far the other way, though.

"We must not go too far down that collaborative route. Universities must be able to work on crazy ideas; we must have the chance to do basic research not tied to industry's needs."

If the business community is to get the best out of co-operation with universities and polytechnics, it will need to give greater thought to one or two points. Both industry and government departments must forget the notion that they have some right to high quality research "on the cheap."

If companies feel they have already 'paid' taxes for this they should remember that these funds also help to supply their graduate recruits, and should pay for the research separately and in full.

Government, too, can ensure that universities have an incentive to co-operate in commercial research to benefit British industry, both by agreeing to pay the going rate for research and by supporting a more even division of the intellectual spoils between industry and academe.

Having started to make technology transfer work for them the universities must not lose sight of the need for pure, as well as applied research - although for most this is scarcely an urgent problem yet.

These slow starters will contribute to industrial development only if, first of all, they are willing and able to communicate their knowledge and, secondly, have technology to sell that is relevant to industry's needs.

For that they must be in daily contact with industry, not just through their industrial liaison bureaux which have had moderate success, but through formal and informal contacts of every kind.

Patent protection

A lynch pin for licensing

PATENT PROTECTION makes the ideal lynch pin for a technology transfer agreement. On its own, a patent document seldom gives full practical details of how to manufacture an invention or make a new process work.

Additional knowhow is needed, but it is often too nebulous to sell on its own. The most convenient way of trading in knowhow and goodwill is to tie it to a patent document.

The patent gives legal protection on the basic idea and enables the owner and licensees to keep competitors at bay with infringement actions. The associated knowhow which may be sold with the licence helps the licensee make money from the rights purchased and gain commercial advantage over competitors who try to design round the patent instead of buying a licence.

When Philips licences electronics companies to make compact disc records or players, the licence fee is $25,000, with a royalty of 3US cents payable on each disc pressed and a few per cent on the factory price of each player produced.

The patent licence contains no knowhow. For that, the factory must pay up to $1m for turnkey technology.

In the UK, the Government has become increasingly concerned that British ideas are not only developed but also properly exploited. This means, for example, that universities create proper arrangements so that they can build in patent protection and licensing arrangements for their inventions from an early stage.

A report in 1983 by Sir Robin Nicholson, then Chief Scientific Adviser in the Cabinet Office, complained that Britain had "insufficient awareness" of patents, and urged that the Patent Office should do more promotional work.

Its official pamphlets, Sir Robin said, tended to be "densely written and full of jargon... the impression given is of an arcane world rather than that of modern technological Britain."

Since then, the Patent Office has tried hard to make patents more accessible, for instance by organising seminars at universities and schools. And the Government has now decided not to hive off the Patent Office to private enterprise.

The Government is likely to look next at the British Technology Group which, since 1981 has been responsible for both the National Research Development Corporation and National Enterprise Board. The NRDC was created in 1949 and is under statutory obligation to work in the public interest at developing and exploiting inventions.

Until 1985, the NRDC was in the fortunate position of having first call on any invention which came out of research funded by public money. Now universities and government research laboratories are no longer obliged to hand their inventions over to NRDC. Like private companies and individual inventors, they can choose between going it alone or taking NRDC help.

For more than 20 years NRDC ran on royalties earned from patents covering the cephalosporin family of drugs. These came from research funded by the taxpayer.

This patent portfolio has now withered from old age and BTG's income from patent licences has plummeted from more than £25m a year in 1983 to £12.5m last year.

There is still no sign of any new moneyspinner of comparable value and BTG has had to spend heavily on suing foreign companies which have infringed its existing patents. BTG is now slimming down the number of active projects.

The Department of Trade and Industry, which oversees BTG, has already talked of privatisation. However, the BP shares debacle puts this idea back in the melting pot.

When a patent application is filed in Europe it establishes an unambiguous priority date for the invention described. Anyone who has come up with a similar idea but not tried to patent it, or who comes up with the same idea and then tries to patent or work it, may well be stymied.

Under European patent law, but not in the US, it is fatal to disclose an idea, other than in confidence, before filing a patent application. Although the Patent Office will often not know about the disclosure, and will thus grant a patent, the grant will be open to attack by third parties. So talking openly about an invention before a patent application is made puts a time bomb under any patent subsequently granted.

There are good legal reasons why large companies will often refuse to consider unpatented ideas in confidence. If the company's own research department is already working secretly along similar lines, a difficult situation can arise.

The company must either disclose the secret status of its own work, or risk being accused of using someone else's confidential proposal as a springboard for in-house research.

It is often said, only half-jokingly, that the best way to cripple a research laboratory is to get wind of their latest research programme, toss a confidential proposal along similar lines through the window, and run.

If an inventor has filed a patent application, there is no need for proposals in confidence because there is already a cast-iron priority record at the Patent Office. With an application on file there, the originator is free to talk openly about the invention - although there may be good commercial reasons for talking in confidence to keep a lead over the competition while the application is still held secret by the Patent Office.

Drafting a patent specification is a skilled job, which requires a curious mix of technical and legal skills. Although solicitors are allowed by law to practice as patent agents, only registered patent agents can take the strict examinations set by the Chartered Institute of Patent Agents. Inventors will have to be on their guard because the Government's new Copyright Bill will let anyone set up as a "patent adviser."

A patent application must contain enough technical information to give strong legal protection, and room for manoeuvre against infringers with similar but not identical ideas. But it must not give away so much technical detail that it amounts to a knowhow disclosure.

In Europe, patent applications are published 18 months after filing. If the application is rejected by the Patent Office the text remains published as a free text book guide to infringers.

The chartered institute does not allow agents to advertise, but it runs clinics. Inventors get a little free advice and a list of agents' names.

Barry Fox

Magnetic resonance imaging

Progress in medical scanners

TWENTY YEARS AGO, the children's TV series Star Trek featured a small computer which could peer inside the human body and diagnose disease. At the time it seemed laughably far fetched. Yet machines like this exist already, employing magnetic resonance imaging (MRI) as a non-invasive way of analysing body tissues.

The imagers, still sometimes known as nuclear magnetic resonance (NMR) scanners, were invented, and continue to be refined, in British universities. As the images the machines produce become clearer, their uses become more subtle. They are already capable of identifying the elusive cellular changes which lead to multiple sclerosis and of determining exactly how much plaque is contained in a blocked artery.

Dr Donald Longmore, director of the NMR unit at the National Heart Hospital says: "Scanners will revolutionise medicine and the market in them will be worth billions of pounds.

"You can compare the situation with that of the motor car in 1904. It was considered to be a magnificent machine and no one would have guessed at the refinements which would be offered on standard production line models 80 years later."

But even today, the manufacturers who take such advanced equipment from the prototype to the production line face research and developments costs running into tens of millions. So how does the academic working in his lab transfer this particularly high-tech device to the multi-national market?

With difficulty, according to Britain's leading expert, Prof Peter Mansfield of Nottingham University. He invented the first imager, which was patented in 1974, and is currently trying to launch a second generation machine which produces instant "snapshot" images.

Most of the machines currently available require a three to four-minute wait before the image can be seen. In the early 1970s when he was working on his first machine, Prof Mansfield found he was neither fish nor fowl as far as the grant-making bodies were concerned. The Science Research Council turned him down because his idea was obviously medical, while the Medical Research Council was unhappy about giving the money to a physicist.

After more than 18 months of scratching around for funds, Prof Mansfield eventually got the backing he needed from the MRC. Under the terms of the grant, he also involved the National Research Development Corporation, later replaced by the British Technology Group, in his work.

While the BTG was dealing with the legal side of patenting and attempting to license the British inventions, Prof Mansfield did all he could to publicise the virtues of the new imagers.

After 15 years of effort, he admits to being a little disillusioned with the slow response of industry to these new ideas. "If we had been able to convince the companies earlier on, we would have seen a return earlier as well.

"One of the sad facts of life is that British businessmen don't seem to be interested in technology. They are more interested in the stock market.

"However, Prof Mansfield is hopeful that this is now changing, and he expects his new-generation scanner to be on the market within the next two years.

Prof Mansfield does not try to produce his inventions himself although two of his students did, by emigrating to the US and obtaining venture capital over there. However, Prof John Mallard of Aberdeen University did attempt to manufacture the inventions of his team by starting a company, M and D Technology.

"To put it bluntly, we failed," he says. "We were financed by money from the City and the Scottish Development Agency and eventually made and installed three machines. What the City did not understand was how much money it costs to build up a team of people with the necessary skills, and how long it then takes to see a return on your money. "The company was sold for £1 per shareholder, and is now in receivership."

Prof Mallard says the lesson from this is that only the giants can survive in the world of MRI - and the evidence seems to back him up. Philips and Picker International (which is owned by GEC) are merging their medical instrumentation sections into a new, jointly-owned company.

Several other smaller MRI companies have been taken over by multi-nationals, and the leaders in the field are now General Electric, Siemens, Toshiba, Picker and Philips.

Meanwhile, both the Aberdeen and Nottingham teams are waiting to receive royalties from scanners manufactured by General Electric, under a deal negotiated by the British Technology Group.

General Electric is a world leader in a field which has expanded rapidly over the last two years. In December last year BTG won a favourable out of court settlement from Johnson and Johnson in connection with a major patent on MRI.

Royalties from other manufacturers are likely to be negotiated.

The scanners are proving far more versatile than was originally expected. Dr Longmore says: "Everyone said the scanners were good head cameras. I set out to show that they have a special role in screening for heart disease."

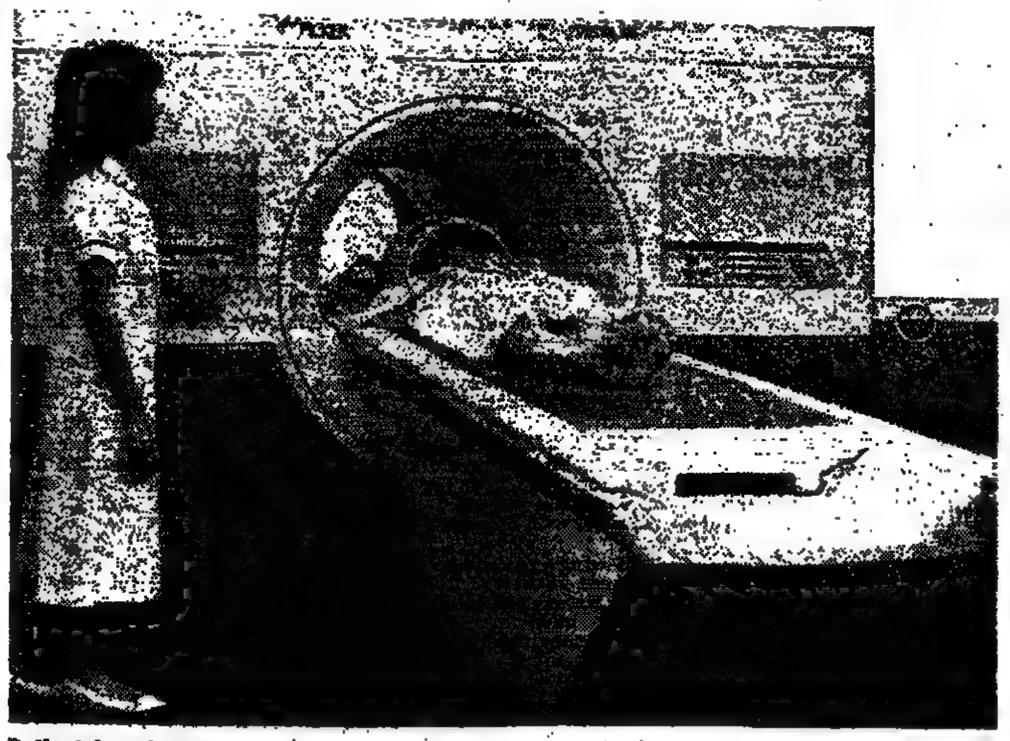
He explains that they can be used to measure the amount of fat in the plaque, show how blood vessels are narrowing, and also how effectively the heart is pumping blood.

At present, MRI scanners cost about $1m although they are likely to become cheaper in time. At the moment royalties are trickling in fairly slowly. Prof. Mallard says he and his team members each receive about $5 for each scanner sold.

Nevertheless, as the scanner market expands, the royalty deals could eventually turn the inventors into rich men and also swell the coffers of the universities where the work has been carried out.

Both professors say they thought the British Technology Group had done an excellent job in battling for the licensing agreements.

Ann Kent



Patient in a Picker scanner, developed as a result of research at Aberdeen, Nottingham and Oxford universities and licensed by the British Technology Group

Transfer agencies

Numerous groups seek big profits

IF TECHNOLOGY TRANSFER is gathering pace, then the business itself of handling the transfer of technology and its licensing is undergoing its own minor boom.

Providing opportunities for the researcher and inventor in industry or academe to find a commercial backer or investor is becoming so competitive that even big banks, such as Barclays, are moving in in a major way.

Barclays has designated 85 of its banks up and down the country as special "hi-tech branches." Each manager is specially chosen and sent on a training course to learn about the leading edge technologies and their market structure.

The increasing business for technology transfer agents follows the trend of seeking more global exchange of invention and innovation. For companies seeking international links their friendly, local bank manager is likely to be competing against much more specialised technology agencies.

The remarkable growth in transferable technology, particularly in computers and other electronics, bioengineering, pharmaceuticals and chemicals, feeds off international R & D.

Thus increasingly numerous agencies, whether the government-sponsored British Technology Group - the largest organisation of its type in Europe - or one of the many technical transfer consultancies, see potentially large profits to be gained from licensing internationally.

For instance, cholesterol assay techniques developed in Britain brought BTG $750,000 in royalties from its use for medical blood tests in no fewer than 80 countries last year.

Though many would say Britain has more than its fair share of innovative talents, it seems that its innovators and development companies are going to face more competition because of companies increasingly seeking out foreign innovations for development in British industry. This is still good for the British economy in creating new products, markets and jobs, the argument runs.

Mr John Emanuel, chairman of the Institute of International Licensing Practitioners, says: "The UK now represents less than 5 per cent of the world market for goods and services and, as far as one can estimate, less than 5 per cent of the world's invention innovation.

"For companies needing good science and technology-driven opportunities for their future development, innovative technology should be sought from UK sources - but even more from overseas."

To cope with the rapid expansion around the world in research, consultancies offer specialist services in technology and company acquisition, marketing, mergers, finance, and agents. The aim is to reduce costs, share risks and widen markets.

Fees range from retainers of several thousand pounds for a general "technology trawl" or client company search, to royalties and bonuses which can run to hundreds of thousands of pounds if one of the hundreds of prospects they screen strikes gold.

Mr Emanuel, an EEC consultant on European technology exploitation, is also managing director of Pax Technology Transfer, a London consultancy whose current activities include putting together a $1m deal between a UK and a US company to develop what is claimed as the first sophisticated industrial ceramics plant in an Eastern bloc country.

With 70 associates in 40 countries, the agency has also recently arranged to import Chinese chemical fermentation technology into Europe.

Importation to Britain of innovative technology would once have been seen as heresy in the BTG. The agency was born of the National Research and Development Corporation set up 40 years ago. Its chief executive, Mr Ian Harvey, 42, and trained at Harvard Business School, is now launching BTG's own approach in this direction.

"The UK innovative attitude is to keep to our bosoms what we develop in the UK. I believe that is impractical - we have to develop what we can with the UK first, then look at the global market, particularly the US and Japan." Even then, where possible, such deals should try to incorporate a UK input, he says.

BTG is in the process of launching an inter-corporate licensing group. "I believe that the technology transfer business is international," Mr Harvey says. "This means both licensing out - that is licensing foreign companies to use British technology - and licensing in, which is bringing foreign technology to UK companies.

"Already we have had substantial interest from companies wishing to be involved.

"I am convinced there is a major market out there which is not developed. The UK can benefit from selected importation of technology, particularly of fully-developed products."

A study commissioned by BTG suggested that UK companies were "mostly indifferent" to the source of new technology - whether it came from the US, Europe, Japan or elsewhere. A further finding was that 88 per cent of those companies which had licensed in technology had done so either where a fully-developed product was available or where the product had already been marketed.

He sees the BTG's strength as providing major financial resources, plus skills in patenting and protection and knowledge of worldwide companies and markets for an effective licensing programme.

They are not afraid of litigation. After winning their legal battle to protect their nuclear magnetic resonance medical imaging system, BTG are now suing the Pentagon for alleged infringement of rights over the Hovercraft, now used widely around the world.

Sales of BTG-licensed products are approaching $1bn a year which brings in licence income of £15-£20m annually, with new licence signings at the rate of one to two a week.

BTG's operation head, Dr Derek Schafer, says he has a portfolio of at least 50 innovations which could create major income for the takers. These include pharmaceuticals, diagnostics, new materials, electronics and software.

Unlike BTG, which is prepared to back projects for 20 years or more, venture capitalists tend to go for short-termm gains, usually putting in a directror on the client company's board to advise and monitor progress.

It is one of the highest-risk businesses of all, with about 60 per cent of companies not meeting their investment return. Companies such as Investors in Industry, Top Technology, owned by Hambros, and others combine to give Britain the largest venture capital industry in Europe.

According to Mr Lionel Anthony, chairman of the British Venture Capital Association, the total investment for last year was £425m, a 31 per cent increase over 1985. "We now have over £2bn available for members of the BCVA for investing in unquoted companies."

Venture capitalists often claim there is too much money in Britain chasing too few viable ideas, yet small companies complain they seem unwilling to fund very young companies needing only a few tens of thousands.

In line with the trend for a two-way exchange of technology, the European Venture Capital Association, formed four years ago, is now supporting developments in international markets for the start-up of small companies its members fund. Meanwhile, Barclays sees the benefits of getting their branches in hi-tech areas such as the Thames Valley, involved in such industries.

Mr Matthew Bullock, corporate finance director of Barclays, says: "Over the last 10 years we have seen a growing demand from larger companies for the acquisition of innovative product design and processes from third parties."

Because an increasing part is now being met by smaller research development and design-intensive companies, the bank has focused its support for such projects close the the main research centres round the country.

"We now have extensive loan commitments of over £400m to finance sales growth and development in such companies."

His department has formed a High Technology Team at head office to provide support for the designated branches, offering more specialised advice and service, backed by on-call specialist consultants and advisers on licensing, patenting, and contracts from the head office team.

Mr David Killick, who heads the team, reports pleasing growth in the 18 months to last April when the number of mostly new hi-tech clients increased by 34 per cent in the Reading area and 20 per cent in Luton.

There are many other effective methods of technology transfer. These include industrial fairs and exhibitions, various publications which bring researchers and exploiters and inventors' clubs such as Inventalink, which publishes ideas and circulates them in a bulletin to members.

Techmart, the four-day technology transfer exhibition and conference held last month at the National Exhibition Centre, is a major event in the calendar. This year it attracted a range of exhibitors from small inventors to technology agencies and universities, though the number of "blue chip" exhibitors this year was disappointing.

Despite lower attendances this year, a number of companies claimed substantial orders for technology deals, though the real business follows later from the contacts made.

Mr Paul Miller, technical director of a nine-month-old London company, Novotech, spent £2,500 to take a stand this year. He expects to achieve about £250,000-worth of business for Novotech's Aurora 16 computer-controlled illuminated display for shops, hotels and shopping centres.

Novotech also received agency inquiries from France, West Germany, Switzerland, Belgium, Austria, Canada, Israel and East Africa.

Michael Jeffries

Michael Jeffries is Editor of Science and Business Link-up

Case study: transputer development

Chip with a huge future

THE STORY OF the transputer, perhaps Britain's most innovative recent scientific development, is the classic case history of technology transfer.

Several different strains of university and industry research have come together to bring to the market a product of high ingenuity which may well transform the way many scientific and industrial tasks are done.

The "computer on a chip" in its latest form, the T800 transputer, is now taking the world of computing by storm. Even though the makers, Inmos, cannot yet report a profit, the future looks extremely rosy for this baby of the defunct National Enterprise Board, now a subsidiary of Thorn-EMI.

The T800 is now being delivered in bulk and companies around the world are clamouring for it. The concept of concurrency - the ability of a computer to perform many tasks at once - is at last feasible now that many transputers can be linked together to form a super-computer of awesome power.

The prime example at the moment is the Edinburgh Concurrent Supercomputer, which will eventually have no fewer than 1,000 transputers as its central processing unit. Since each T800 can carry out 15m instructions per second, the potential power of the Edinburgh computer is an awesome 15bn MIPS.

That would be almost enough to make meteorology an exact science instead of the half mysterious art that it is at present.

There are many other tasks where the application of transputer power will not only make complex calculations much quicker. It will also make possible some calculations previously not capable of being performed at all.

The several strands of the development of the transputer from an idea to a reality include the vision of Iann Barron, a computer scientist and now a director of Inmos whose concept it was.

Chip inspection at Inmos and (right) Iann Barron, originator of the transputer concept

After the initial idea, David May is given a lot of credit for the architecture of the transputer. He was at Warwick University when he met a young external student, Miles Chesney, who was later to head the team at Inmos which designed the transputer.

Another name which is important in the transputer story is Prof Tony Hoare, of Oxford University, who was responsible for occam, the language on which the transputer runs (although it can also use languages such as C and Fortran).

Chesney is now helping to run Meiko, a company in Bristol which is exploiting the transputer in products which are selling worldwide. He praises the European Community Esprit programme of technological assistance for the impetus that it gave to the transputer project.

He says: "The T800 is so demonstrably useful that the demand is picking up rapidly."

Like Edinburgh University, the American company Floating Point Systems has developed a supercomputer shich promises to challenge the giants like the Cray machines - and probably for significantly less cost.

On a smaller scale, transputer-based add-ons for personal computers have already been developed for the Commodore Amiga, the IBM PC AT and various Apple computers.

But probably the most significant venture so far, which seems likely to bring the transputer into a much wider field of computing, is the launch in Las Vegas of the new Atari ST "workstation" with a transputer as a special number-crunching processor aimed at the educational market.

This one project where graphics is important and the aim is to make genuine animation possible at very high resolution. It is expected to be ten times as powerful as an IBM PC AT and some industry experts are predicting that eventually it will be on sale for less than $1,000.

In his offices in the Bristol city centre, Miles Chesney demonstrated a system based on 32 transputers in tandem which produced breathtaking graphics of molecules on a screen.

The Atari will obviously be on a smaller scale than this, but it promises to be an exciting addition to educational computers

The use of the transputer in graphics is the easiest way for people to comprehend its power, so all the early demonstrations were that way. But it will be the sheer application of low-cost computing on a huge scale that will eventually make it a success.

And the success is already beginning for Inmos, which has its R and D centre at Almondsbury, near Bristol, and its factories at Newport, Gwent, and Colorado Springs, Colorado.

It now has more than 200 customers who are already applying transputers to their products or are planning to do so. They range from computers for space satellites both for the European Space Agency and NASA to add-on cards to make personal computers incredibly powerful machines.

One Japanese company is using transputers in a video telephone it is developing, and another is incorporating transputers in a high-speed image processing system for factory automation.

The chairman of Inmos, Mr Harold Mourgue, claims an 18-month lead over competitors in this advanced field.

Arthur Smith

APPOINTMENTS

Finance director of the Prudential

Mr Michael Lawrence has been appointed group finance director of the PRUDENTIAL CORPORATION from January 1. He is a partner with Price Waterhouse, a non-executive director of the Port of London Authority, and a director of Port of London Properties. **Mr Charles Boucher** has been appointed finance director of Prudential's international division. He joins from Smith International Inc., where he was finance and treasurer director (eastern hemisphere).

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Mr Ian Ruperti has joined WALTER LAWRENCE PROJECT MANAGEMENT as sales and marketing director. He was marketing director of Trollope & Colls.

*

Mr David O Beirne has been made chief executive of FOCUS EVENTS. He joins from Cahners Exhibitions where he was managing director responsible for the operation of a wide range of events. **Mr Geoff Dickinson**, formerly show director of both public and trade exhibitions & technical exhibitions, becomes managing director. He replaces **Mr Paul Streeter**, who has decided to pursue his former career in computer sales at Cambridge Computers.

*

Mr Arthur Kettle, managing director of Jamesbury UK, has been appointed chairman of the BVMA from November 12.

*

EX-CELL-O CORPORATION, a recent management buy-out from its American parent, has appointed **Mr Maurice Bennett** as deputy managing director. Mr Bennett, formerly managing director of DeVlieg, has been managing director of companies such as Warner Swasey, JCB and Eaton.

*

Sir James Ackers, who has been elected president of the Association of British Chambers of Commerce

Sir James Ackers has been elected president of the ASSOCIATION OF BRITISH CHAMBERS OF COMMERCE, in succession to **Sir Kenneth Durham**. Sir James is chairman of the Walsall-based Ackers Jarrett Group. **Mr Andrew Lumley** has been appointed director, home affairs, of the Association. He was a civil servant in the Department of Trade and Industry.

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Mr Simon Cartwright has been appointed vice-president, human resources, for PHH EUROPE, Swindon. He was director of personnel.

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Mr R A Genever has been appointed director-research and development of ALEXANDER STENHOUSE UK. **Mr Henry Kosmarek**, local director-development south and west division, has been made director of major case development in succession to Mr Genever.

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Lord Elliott of Morpeth has been appointed a non-executive director of T.COWIE.

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DECLAN KELLY has appointed **Mr Doug Smith** as a main board director reponsible for special projects. He was senior London manager with Lloyds Bank.

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Following a restructuring of the Michael Forsyth Group, **Mr John Hayes** and **Mr David Robertson** have been appointed joint managing directors of the parent company. Mr Robertson takes control of a new division, political relations; Mr Hayes is in charge of the subsidiary City Publications.

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Mr Peter Welch has been elected to the board of THERMAL SCIENTIFIC as a non-executive director. He was group commercial and finance director of Foseco Minsep.

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Mr ROBIN F NUNLEY has been appointed group sales and marketing director of RUBERY OWEN-ROCKWELL. He will coordinate the European sales from the company's branches in Benelux, France, Italy and West Germany.

Mr Francis Holmes, UK chief executive, has been appointed to a new holding company board of INSPECTORATE INTERNATIONAL, a Swiss quoted company, and will assume international responsibility for its services division. **Dr Ulrich Guggisberg** and **Dr Matthias U. Jermann** have also been appointed to Inspectorate's new executive board, which is chaired by **Mr Werner K. Rey**.

*

Mr John Richards has been appointed development director of HASSALL HOMES, a Raine Group subsidiary. He was construction director. **Mr John Peacock** has been appointed land and sales director. He joined the company last March.

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JOHN BROWN, a Trafalgar House Company, has appointed **Mr Brian Goldthorp** its director of personnel. He joined John Brown in 1977 as personnel director for the engineering and construction business area.

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JMH BOSTROM EUROPE has appointed **Mr Roy Jordan** as executive chairman of the group, and **Mr Colin Howell** has become group managing director. Mr Jordan was chief executive and Mr Howell was operations director. Both were principal members of the management buy-out team which purchased Bostrom from Universal Oil Products.

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MCKECHNIE has appointed **Mr Clive Underdown** as chief executive of its consumer products division. He was managing director of GTE Rotaflex's major European subsidiary, Concord.

CONTRACTS

Military bridging system

NEI THOMPSON, Wolverhampton, has been awarded a £28m design and development contract for the Ministry of Defence's Bridging for the 1990s project.

This will produce a new highly mobile lightweight military bridging system which can be transported in rapidly-assembledsections or mounted as a unit on a tracked chassis.

This contract contains options for a contract which would bring the total value to about £100m. It includes not only the design of the bridges but also of the vehicles and mechanisms plus the manufacture of the system to meet the performance and reliability requirements of the Ministry of Defence.

To handle the contract NEI Thompson has formed a separate business unit, Thompson Defence Projects, under the directorship of Mr Richard Buckland. Office and manufacturing facilities have been established at NEI Thompson's head office at Ettingshall in Wolverhampton, with a design team at NEI Clarke Chapman, Wellman Booth in Leeds.

Mr Buckland said the award of the contract was the culmination of more than 30 months work. The bridging system which NEI Thompson will develop will be capable of carrying heavier armoured vehicles, such as the 62 tonne Challenger tank.

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DE LA RUE SYSTEMS has won orders from Spain, Braziland the People's Republic of China, worth in total £3.75m.

The first of these orders is from the world's largeststate-owned lottery, The Spanish National LotteryOrganisation, ONLAE, which has ordered equipment to supply six coupon processing systems, software and additional services. A contract for an additional phase of the lottery's modernisation programme is expected later this year.

In Brazil, De La Rue Systems is to supply banknote sorting-systems to Banco Central do Brasil. The first two systems are being delivered this month and there are plans to install 20further systems over the next three years. In China, the company has won a single order for 1,000 banknote counting machines after two years of negotiations.

Extracting opencast coal

A £15.7m contract to extract 800,000 tons of coal at the Waverley East opencast site, Catcliffe, near Sheffield, has been awarded by British Coal to **LOMOUNT CONSTRUCTION**, a wholly-owned subsidiary of the Mowlem group.

The eight-year contract will involve moving 20.5m cu. metres of material and will create a hole at one stage 74 metres deep. The site will be reinstated progressively to leave the land fit for industrial use on completion. Lomount is to spend £5.25m on plant for the project, largely hydraulic excavators and 95 tonne dump trucks.

ARTS

Royal Academy/David Piper

Plantagenet age pavilioned in splendour

Age of Chivalry at the Royal Academy is not just an exhibition but could almost become, during the next four months until it closes (6 March), an alternative way of life, if you have time to spare. Not that it presents chivalry as a relevant code for social behaviour in the 1980s - young males in the Underground are unlikely to jump up to make way for the aged or the pregnant - but many aspects of the chivalric ideal were honoured more in the breach than the observance from the earliest days. Nevertheless the title was clearly irresistible, and does not impair the main theme of this splendid exhibition which is *Art in Plantagenet England 1200-1400*.

Though once a medievalist, I tend to approach exhibitions of pre-Reformation objects in England with trepidation: so many of them will be fragmentary, not just worn or broken by time, but deliberately mutilated by Puritan iconoclasm. I fear not only aesthetic maiming, but a chill of ancestral guilt.

At the Academy, any such inhibitions were quelled by the very first images visible. Brilliant, a masterpiece of Gothic jewelry, exquisite in its complex delicacy, a golden circlet from whence rise twelve golden lilies all in a dazzle of sapphires, rubies, diamonds, pearls - a crown thought to have been made in Prague by a Parisian goldsmith about 1380 for Anne of Bohemia, brought by her when she married Richard II, returned to the Continent when a daughter of Henry IV married Ludwig of Bavaria - and surviving miraculously, almost unique in its perfection of preservation, till now in Munich; it is set off between the slender silver-gilt sceptre, topped by a dove, that Richard of Cornwall, brother of Henry III and the only Englishman ever to be crowned King of the Romans, presented to the cathedral treasury in Aachen in 1262, and the magnificent sword for the civic ceremonial of the Mayor of Bristol, of around 1370.

This display is a perfect introit for the exhibition. Various problems that beset the illustration of Gothic art have been resolved with rare success. The really monumental, surviving, achievements of Gothic art in England are obviously the great cathedrals and churches, that cannot be popped into the confines of the Academy.

To achieve a more sympathetic setting for the spirit of the exhibition than the very post-Renaissance classicising detail, Alan Stanton and Paul Williams have devised a very refined minimal kind of "Gothic-equivalent" idiom. I would not have guessed it possible to suggest, acceptably, Gothic aisles in the Academy's grand Gallery III, but it is. The actuality of the great churches is illustrated here and there by photographs, but above all by a separate audio-visual display, which I warmly recommend - the film is very beautiful.

Within the galleries, the illuminated show-cases are very efficiently and unobtrusively designed, and reflection problems almost banished. In them, a class of objects normally very difficult, or impossible, for the general public to view properly, is brought to life: the illuminated books. One cannot, of course and alas, turn over their pages, but the brilliance of the openings displayed is riveting, and it is only in them that the continuity and development of Gothic painting can be studied perfectly preserved, depicting life and death in ritual angular stylistic ceremony but often in the most vivid unfaded colour blazing against burnished gold.

Another class of object likewise difficult to see properly in situ, is stained glass, but for that here the dusk, imposed on some rooms in the interests of conservation, proves a positive bonus. The whole exhibition is jewelled with its colour, inset in the display walls, back-lit, allowing a clarity and a "readability" that is magical, and ranging from small panels perhaps only a foot or so wide to a twenty foot high window glazing moved complete from Canterbury Cathedral - one of the Thomas Becket miracles set. A removal as delicate and perilous as this may seem to need further justification, but the organisers have supported their pleas for a number of loans with assurances of funds for the often very necessary conservation of the glass, and some other objects too. The exhibition as a whole is sponsored by Lloyd's Bank, but some of such consequential benefits to lenders (and posterity) have been helped by grants from City Livery Companies and bodies like the Pilgrim Trust. The glass is breath-taking twice - once, at the daring of moving it at all, and twice, at the radiance thus ideally revealed.

The exhibition occupies almost the whole of the main galleries, and almost 750 objects are shown, in a sequence of mixed media displays. The first are designed to set objects in the political, religious and social contexts: then follow chronologically the eras of the six Plantagenet monarchs between John (no.1 in the catalogue is a parchment manuscript of Magna Carta) and Richard II. Objects range in scale from the great Canturbury window to coins, some no bigger than a small finger-nail, and represent most media: sculpture in stone and wood, even two splendid fullscale tomb effigies of knights in wood, and ivory; metal work, from arms and armour to silver spoons, rings, coins, jewelry, church plate; stained glass, pottery, wax (seals), painting, textiles (notably the great *opus anglicanum* cope from Bologna); manuscripts. One of the revelations to many will be the very generous loans from Norway of sculpture apparently made by migrant English carvers, which - unharried by iconoclasts - preserve the quality of early Gothic English carving as nowhere else, most splendidly in the major masterpiece, still polychromed, St Michael from near Trondheim, about 1250.

Space allows me to do little more than salute the exhibition as spectacle - its quality as such shone through even when, at the press view, areas were still in some disarray as loans arriving at the last moment were being installed. And a first appraisal was enough to recognise it as a worthy sequel to its recent predecessors in the task of re-assessing the achievement of early English art (Anglo-Saxon at the British Museum, Romanesque at the Hayward Gallery, 1984-5). The catalogue, edited by Jonathan Alexander and Paul Binski (575 pages; Royal academy with Weidenfeld and Nicolson, 16.50) is equally clearly a lasting contribution to the literature of the subject. It embraces 28 essays by distinguished specialists on different aspects, and will provide me with reading matter till Christmas. It is, though, definitely in the catalogue/monograph category, and - weight over five pounds - requires for use in the exhibition, on field-work, as it were, an as yet uninvented piece of furniture, a trundler-lectern.

For anyone whose grasp on the history of Plantagenet England is not all that secure, use of the "Soundalive" walkman may be found helpful for initial exploration and orientation, though the captions on the walls are legible, concise yet illuminating. Yet the vital exuberance, the achievement even when maimed by later violence and vandalism, that the objects project in themselves, seem oddly indifferent to the turmoil, the internecine violence, bloodshed and injustices at all levels of society in this period (the Hundred Years War, the Black Death, failed harvests, feudal slavery, plague).

No direct impact (though of course there is an indirect one) of the precocious Peasants' Revolt of 1384 led by John Ball and Watt Tyler is discernible in the exhibition. The peasants were seduced in confrontation with the young (and very brave) Richard II and Tyler was knocked off by the Mayor of London; in the exhibition all peasants appear normally as rustic clowns - visible most vividly in the vigorous carvings of the misericords aching hours of prayer. The Peasants' Revolt, though, was sparked by a poll tax - the Commons today should perhaps take note.

The last of the Plantagenets, Richard II died (like his great-grandfather before him, Edward II) by murder - nevertheless, the room devoted to his reign celebrates the establishment of the English vernacular in major literature by Chaucer, whilst the portraits of Chaucer and of Richard II are the classic examples for demonstration that the art of naturalistic portraiture, the emphasis on individual likeness and identity, has arrived, and modern man in England is on his way.

Stained glass panel from Exeter Cathedral of St Edward the Confessor, c1372-93

War Requiem/Festival Hall

Paul Driver

The memorable and artistically weighty series of concerts given by the London Symphony Orchestra at the Festival Hall and Barbican Hall in honour of Mstislav Rostropovich's 60th birthday came to an end on Remembrance Sunday with the performance, conducted by him, appropriately of Britten's *War Requiem* at the Festival Hall.

He was actually one of three conductors of it - Michael Crabb directed the Southend Boys Choir (positioned unusually on one side and in the middle of the auditorium) and Richard Hickox, who is in charge of the LSO Chorus, was conducting the Chamber Orchestra which the work requires, and prominently situated to the immediate right of Rostropovich.

Thus the performance was manifestly a collaborative effort, and if some of the mystique attached to the star conductor - Rostropovich - was here withheld (Hickox was solely responsible for large portions of the performance), that is hardly likely to have worried Rostropovich, for one. In most performances of this work which I have seen, however, a separate conductor for the chamber band has not been deemed necessary.

The music-making was strong and eloquent enough throughout the evening to ensure that Britten's masterpiece worked its powerful emotional spell, yet there were few moments of overwhelming distinction, either from he soloists or the massed choral and instrumental forces.

Certainly not from the brass section - which was seriously sloppy in a passage of the Dies Irae which relies on them. There was a touch of routineness or sloppiness in the playing of most of the sections; the boy choir was elegantly functional but no more; the main choir was sturdy but not momentous. A sense of occasion, which one would have thought was all too readily available (the date; the end of the Rostropovich series) failed to be communicated in strictly musical terms, which is not to say that the performance wasn't moving and fine up to a certain point.

The soloists were an immensely distinguished team, singing at something less than their dramatic and atmospheric best. Heather Harper had enormous authority - and a big beautiful sound - in the soprano role which she herself created at the work's premiere in Coventry Cathedral in 1962, but not quite the electric imperiousness or spark that one also listens for. John Shirley-Quirk's baritone contribution was one that seemed to rest on its laurels and be in need of the occasional and unforthcoming prod. In duet with Robert Tear he lacked the dramatic immediacy supplied by the former, whose performance - incisive in the extreme, heartfelt, vividly alive - afforded the evening's moments of real intensity and its chief interest.

Krystian Zimerman/Barbican Hall

David Murray

Starting a piano recital after Sunday lunch with the four Schubert Impromptus D. 935 seemed a risk, for those amiable pieces contain plenty of his murmuring-brook music and little to seize a drowsy ear. In the circumstances Zimerman took the most daring way with them: no very prominent sparkle or tricky personalising - not even in the "Rosamunde" impromptu or the sprightly last one - but straight, fastidiously gentle exposition. The natural domestic scale of the pieces was nicely respected, without prejudice to their expressive highs and lows, which Zimerman simply set within an intimate frame. He contrived some lovely mother-of-pearl sounds in mezzo-piano, and with his self-effacing care for exact musical sense the performance was constantly rewarding.

Chopin's last E major Nocturne, treated in much the same way, sounded sincerely plain, maybe over-smooth (or at least under-suggestive) for this infinitely subtle music. Perhaps Zimerman is reacting against subjective readings of Chopin, for his F minor Fantaisie - once past an uncommonly slow, weighty introduction - was cool, swift and mostly strict-tempo, with the tiny central Lento delivered more like a chorale than a private revery. As a whole the Fantaisie was strikingly shaped, and yet felt too cautiously explored: one often longed for the more expansive, unguarded playing that the title invites.

No reservations at all about Zimerman's superb account of Liszt's B minor Sonata, though if you absolutely require thunderbolts and malicious *diablerie* in the Sonata you might have missed them. In fact it was continuously exciting (as tirelessly brilliant in the fast music, especially the quasi-fugue, as one is likely to hear), with a grand dramatic silhouette and no mere bombast.

Zimerman's taut concentration was unyielding, and he could convey Liszt's intense and various passions with *rubato* sternly rationed. If sardonic humour - any kind of humour - isn't an evident component of the Zimerman persona, the diamond glitter of his *presto* passages dazzled better than any but the most superior high-Romantic *diablerie*. One of these days he may even achieve that; but the formidable virtues of this performance were more than enough to be going on with. The heartfelt Szymanowski encore he offered made one eager to hear him in more of his compatriot's music.

Annie Fischer/Elizabeth Hall

Richard Fairman

It is three years since the Hungarian pianist Annie Fischer gave her much-acclaimed Beethoven series in London. For this year's visit she has decided to return to the same composer and her appearances include two solo recitals, of which this was the first, and a performance of the *Emperor* Concerto with the Philharmonia on Friday.

As a Beethoven pianist, she is well equipped with thetemperament to tackle the music's struggling spirit head on and also the spontaneity to engage that struggle anew on each occasion. For all the passing of the years no feeling of routine has come over her playing: one can approach an Annie Fischer recital in the sure knowledge that the creative fire will burn as brightly and as fiercely as it ever did.

This is not to say, however, that time has left her untouched. Where, in the recent past, there may have been finger-slips that brought a few wrong notes, there are now handfuls of them; and in the blithe G major Sonata Op31 No1, as the runs of semiquavers tumbled over each other, her lack of control threatened to slide into incoherence - not a danger that had seemed at all worryingly imminent before.

So it was with rather mixed feelings that one approached the *Appassionata* Sonata, the most demanding item on the programme. Yet here, happily, her artistry rose to an altogether higher level. The technical slips receded; and the pianist and her music met on equal ground, for this (of all sonatas) is an all-or-nothing piece and at this stage of her career Annie Fischer is very much an all-or-nothing pianist.

The first movement carried all before it with playing of immense power and momentum. Then, after the relative calm of the Andante, the Finale (with repeat) took up the attack again with even more urgent intensity. How different it was from Earl Wild earlier in the year, all of whose force and energy hadleft the music unmoved. Here one ended the performance exhausted and triumphant, a sure sign that the Beethovenian colossus has been felled once and for all.

Macbeth/Theatre Royal, Bristol

B.A.Young

Bristol gives us a decently straightforward Macbeth, with a few unorthodoxies that need upset no-one. The male characters, for example, tend to have long hair hanging down their backs, which is hard on the warlike Banquo (Sean Caffrey), whose scalp is otherwise bald. We are given the Hecate scenes, which add extra menace to the Three Sisters, now seen to be the field troops under a superior command.

Hecate's lines are awful, and Jill Brassington cannot give them any Shakespearian quality, but she makes up for this with her pathetically brave Lady Macduff later. Andy Hines, the director, has had the production played in half-darkness for most of the evening, like the RSC's *Dream*.

Malcolm Storry's Macbeth is tall and military, but lacks genuine concern in his speech. "How say'st thou that Macduff denies his person?" after the banquet sounds almost casual, as casual nearly as his reaction to the witches' prophecies or the unexpected vision of a dagger. Well, he may have been a casual man, though he breaks up his banquet more vigorously than most. Lady Macbeth (Dearbhla Molloy) can be casual too - she reads her letter without excitement, but becomes sinister in the "Unsex me" speech. She is a more mobile, outgoing sleepwalker than any other that I recall.

The action takes place in Sally Crabb's design of a featureless area surrounded by equally featureless walls that may or may not be seen, as needed. This works well, and is perhaps the reason why the lighting is kept so low. The Macbeth castle had no furniture except when the thane was giving a party - indeed it often looked quite deserted. The Porter rattled through his bit without any great suggestion that it was, as it was, a satirical interlude.

Sometimes the lighting is too low; we do not see more than the outlines of the eight Kings who are to succeed to the throne. Most of this scene has gone very excitingly; the armed head is brought up out of a vast cauldron full of well-displayed filth; the bloody child is actually born on stage to one of the witches; the child crowned is one of a little batch of tinies who turn up again at the Macduff massacre. More of a fight would be an improvement in that scene; the elder child is stabbed, the younger is carried off by his mother, but my blood was not chilled.

James Larkin is a good Malcolm, a valid descendent of Peter Copley's Duncan, with a similar way of extending both arms in a wide gesture. He and Will Knightley's hawklike Macduff make a fair thing of the scene at the English court. Macduff's climactic duels with Macbeth are fought with unusual armament; Macduff throws away his shield and uses that arm to draw a battle-axe, and both of them go in for some dirty tricks that would raise eyebrows at the AFA, such as tripping one another. I was never infected with any strong feeling of battle in these last scenes, and I do not think this was entirely due to the fact that there were only a few fighting men.

Mitsuko Uchida/Festival Hall

By now the cycle of Mozart piano concertos that Mitsuko Uchida is giving with the English Chamber Orchestra has well established its own distinctive character: bright and polished music-making, true to the classical tradition, but always eagerto communicate. Nothing less, in fact, than one would expect from such a delightfully fresh platform personality.

At Friday night's concert they arrived at the C Minor Concerto K491. This is one of the great peaks of the whole cycle, a concerto as disturbingly oppressive as any that this composer wrote, and Uchida's playing registered heightened sense of drama. Though the scale within which she views her Mozart remained intact, an additional power underpinned the climaxes, especially in the more tempestuous of the finale's variations.

What was missing was a comparable range of expression from the orchestra. Some untidiness in the ensemble is only to be expected when the soloist doubles as conductor; but, worse than that, the playing here was content to be neat (the first movement woodwind theme was pedantically clipped into shape) where one wants sympathetic phrasing. It was all a world away from the groundswell of intensity that Colin Davis provided for Lupu with the same orchestra

In the earlier, and much simpler, C Major Concerto K415 few demands of this kind are made. This is music that looks relatively straightforward on the page and the pleasure to be had from Uchida's playing comes in discovering how much more (the range of tone colours, the variety of emphases) she can see in it. Indeed some of the solo passages went too far: there is no need to spin out cadenzas or decorative lead-ins to quite this extent.

A couple of purely orchestral items - the *Serenata Notturna* K239 and Four Contredances K267 - completed an all-Mozart programme. In these Jose-Luis Garcia provided a firm lead from the first violinist's desk, but support on the whole was pretty limp. How abrasive Hogwood and his original instrument colleagues seem by comparison.

Arts guide

November 6-12

Opera and ballet

PARIS

London Festival Ballet at the Theatre des Champs Elysees (4720363)

Houston Grand Opera with Sherwin M. Goldman, Porgy and Bess at the TMP Chatelet (42334444).

WEST GERMANY

Berlin Deutsche Oper. Alvin Ailey American Dance Theatre, (34381)

Hamburg Staatsoper. Don Pasquale, produced by Franz Marijnen will have its premiere this week, the cast, including Paolo Montarsolo, Urban Malmberg, Hellen Kwon and Kurt Streit. Zar und Zimmermann, is also in the repertory and The Nutcracker, choreographed by John Neumeier, is revived with Jessica Funt, Jeffrey Kirk and Stefanie Arndt. (351151).

Frankfurt Opera. Cosi fan tutte, produced by Graham Vick and conducted by Gary Bertini. In the main parts are Margaret Marshall, Diana Montague, Olaf Bar, Hans Peter Blochwitz, Tom Krause and Mitsuko Shirai. Gluck's rarely played Iphigenie in Auris and Iphigenie auf Tauris round off the programme. (25621).

Cologne Opera. Die Meistersinger von Nurnberg, with Nadine Secunde, Theo Adam, Matthias Holle and Robert Bosfalvy. Also a Festival Of Voices with Gabriela Benackova Cap, Tatiana Troyanos, Hose van Dam and Peter Dvorsky. Pique Dame in Rudolf Noelte's production and Eine Florentinische Tragodie/ Gianni Schicchi. (20761).

Stuttgart Wurttembergishes Staatstheatre. Die Soldaten has fine interpretations by Nancy Shade, Milagro Vargas, Grace Hoffman, Guy Renard and Kalus Hirte. Die Entfuhrung aus dem Serail stars Kristina Laki, yasuko Kazaki, Uwe Heilmann and Helmut Berger Tuna. (20321).

ITALY

Turin Teatro Regio. Siegfried, sung in German, conducted by Zoltan Pesko and directed by Gianfranco de Bosio. Scenery by Attila Kovecs and costumes by Santuzza Cali. In the cast are Boris Bakov, Gerd Brenneis, Graham Clark, Heinz Klaus Ecker and Otrun Wenkel. (548.000).

Trieste Teatro Comunale. Carmen, sung in French, with Alteouise de Vaughn in the title role. Conducted by Hubert Soudant. Mascagni's L'Amico Fritz, conducted by Evelino Pido and directed by Mario Zanotta. (631948).

NETHERLANDS

Eindhoven Schouwburg. The Introdans company in Ed Wubbe's new choreography of Carmina Burana (Wed). (11 11 22).

Amsterdam Muziektheater. Donizetti's Don Pasquale performed by the Netherlands Opera directed by Renate Ackermann, Bruno Campanella conducting the Netherlands Philharmonic, with Henk Smit, Christine Barbaux, William Shimell and Raul Gimenez (Wed). (255 455).

NEW YORK

Metropolitan Opera (Opera House). The premiere of Fabrizio Melano's new production of Il Trovatore highlights the week. Richard Bonynge conducts, with Joan Sutherland, Fiorenza Cossotto and Luciano Pavarotti. Continuing are Franco Zeffirelli's production of La Boheme conducted by Julius Rudel with Roberta Alexander and Brian Schexnayder; Otto Schenk's production of Die Walkure, conducted by James Levin with Hildegard Behrens, Timothy Jenkins and Hans Sotin; and Franco Zeffirelli's production of Tosca, conducted by Christian Badea with Eva Marton, Sherrill Milnes and Italo Tajo. Lincoln Center (362 6000).

New York City Opera. The week features Jack Hofsis's production of The Student Prince conducted by Paul Gemignani, with Leigh Munro, Dominic Cossa and Jon Garrison in the title role. The final production of the season starts, a double bill of Mozart's The Goose of Cairo and Oliver Knussen's Where the Wild Things Are. (870 5570).

Joffrey Ballet (City Center). The month long schedule continues with three premieres, including a Robert Joffrey Nutcracker, Nijinsky's Le Sacre de Printemps and Three Preludes by Ben Stevenson set to Rachmaninoff, along with Frederick Ashton's La Fille Mal Gardee and nearly two dozen repertory favourites. 55th St. east of 7th Av. (947 5850).

Chinese Festival of Song and Dance (Joyce). Troop of 40 acrobats, musicians and dancers do their stuff, including spinning bowls of water, horse bell dance and juggling with feet. 175 8th Av at 19th St. (242 0800)

WASHINGTON

Washington Opera (Opera House). The 32nd season opens with Romeo et Juliette conducted by Cal Stewart Kellogg, featuring Angela Maria Blasi and Neil Wilson in the title roles. Kennedy Center (254 3770).

TOKYO

Deutsche Oper Berlin, director Gotz Friedrich, orchestra conducted by Jesus Lopez Cobos. Die Walkure (Tue); Siegfried (Thur). Soloists include, Catarina Ligengza, Julia Varady, Rene Kollo, Don McIntyre, John Dobson. Tokyo Bunka Kaikan (726 8888).

Paris Opera Choreographic Research Group. (Wed, Thur). (381 5498).

Saleroom/Antony Thorncroft

Tricky times in Geneva

The hoteliers of Geneva must be raising their glasses this week to the London auction houses. All the big three, Sotheby's, Christie's, and Phillips, have booked their public rooms for a spate of sales. And the new force in the international art market, Habsburg Feldman, is also holding its first major series of auctions there, at the Noga Hilton.

Judging by the first batch of auctions the hotel business is doing better than the antiques. Christie's kicked off over the week end with sales of modern illustrated books and 20th century decorative arts (often a tricky market) and of wine (usually a good one). In the event both sales did badly.

The artifacts totalled £146,188 (368,160 Swiss francs), with 39 per cent unsold, and the wine brought in £127,911 with 36 per cent unsold. There was one high price, the £76,326 paid by a private European buyer for the autograph manuscript of Paul Verlaine's "Poemes et proses". A private American buyer secured a copy of Baudelaire's "Les fleurs du mal" with some mildly erotic illustrations by Rassenfosse, for £14,367, but there was little interest in the art nouveau. The wine's failure was something of a puzzle - high reserves met new caution, and only one decent price was paid, £2,469 for one bottle of the very rare Chateau Mouton Rothschild 1946.

Habsburg Feldman was also offering 20th century art and modern illustrated books, and met some problems. Its star lot, an internally decorated applied and engraved glass ewer known as "L'orge," by Galle, estimated at over £60,000, was unsold, probably because it had been repaired

Sotheby's sustained a blow when one of the choicest items in its auction of continental ceramics, a brown Bottger stoneware teapot and cover of around 1720, was smashed by an over enthusiastic potential buyer at the view. Since it was valued around £15,000 someone will be sweating. This apart the sale went fairly well, totalling £318,882, with just over 20 per cent unsold.

Top price was the £21,915 paid by the dealer Kate Foster on behalf of the National Museum of Wales for a Vienna jardiniere (or flower pot) made in 1817 and decorated by the celebrated Josef Nigg.

Whisky salvaged from the wreck of the SS Politician, the inspiration for Compton Mackenzies's novel Whisky Galore, is to be sold by Christie's in Edinburgh tomorrow. It was salvaged this year from the vessel which foundered in 1941 off the Hebrides. Each of the eight bottles on offer is estimated at £250, but there is no guarantee that they will drinkable.

FINANCIAL TIMES

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A truce on Brazil's debt

A FLARE UP of the Third World debt crisis is just what the world economy does not need in the wake of the worst turbulence in financial markets for six decades.

In today's special circumstances, therefore, the interim agreement reached by Brazil and its commercial bank creditors is to be welcomed. By agreeing to finance two-thirds of the interest due between October and January the banks have averted a costly downgrading of their Brazilian loans.

For its part, Brazil has lifted its debt service moratorium and made encouraging noises about a rapprochement with the IMF. The mutual concessions represent a step forward but are far from a resolution of the deep differences that still divide the two sides.

The prospects for a long-term agreement next year are, at best, mixed. The authority of the negotiating team led by Mr Luis Carlos Bresser Pereira must be considered doubtful given the political turmoil in Brasilia and the weakening of support for President Sarney.

Mr Pereira is doubtless serious in seeking some form of agreement with the IMF but it is far from clear that detailed supervision will be politically acceptable in present circumstances. The likelihood is that the banks will have to accept the legitimacy of a home grown economic adjustment programme.

Domestic demand

It is hard to envisage what shape this will take. The Brazilian economy, following the failure of the cruzado plan, remains far from equilibrium. Inflation has surged to an annual rate of almost 200 per cent. The public sector deficit is soaring. Growth is slumping towards 2 per cent at a time when GNP increases of 6 per cent a year are required just to keep pace with a rapidly expanding labour force.

The performance on visible trade has, admittedly, been impressive with the 12-month surplus rising towards $10bn - a figure reminiscent of pre-cruzado plan out-turns. However, the stability of the surplus is open to question. If the Sarney administration is forced to concede the huge wage increases being sought by vociferous labour representatives, domestic demand will surge again, as it did in 1986, and erode Brazil's ability to service debt.

The reality that Brazil's creditors may have to face is that no government that is capable of holding power in Brasilia will be able to implement the kind of austerity measures necessary to stabilise the economy. Measures may have to be taken that ease the short-run burden of Brazil's external debt.

This does not mean that banks have to accept explicit write offs but it does mean that they may have to accept a restructuring of the debt that considerably reduces the short-run burden of interest. Such a constructive reappraisal of the structure of Brazil's liabilities - and those of other big debtors - is possible in the light of the much higher loan loss reserves announced last summer.

Social unrest

A substantial restructuring of Latin American debt burdens would greatly facilitate a return to economic stability in the region.

As many academic economists now concede, it is extremely difficult simultaneously to curb inflation, promote growth and meet heavy debt repayments. Debt service obligations drain savings out of domestic economies and compromise efforts to boost domestic investment. At the same time, they impose demands on public sectors that cannot be met by taxation : the result is excessive money creation and accelerating inflation. This in turn causes explosive wage demands and considerable social unrest.

A long-term solution to the Third World debt crisis is more necessary than ever following the collapse of world equity markets and the recognition that the US must rapidly take steps to curb its imbalances.

Given the improbability of sizeable expansionary moves in the surplus countries, US adjustment almost certainly means slower world growth. It is thus possible that the positive impact of falling interest rates will be outweighed for the debtors by a contraction of their export markets and a renewed softening of commodity prices.

The industrialised countries are understandably absorbed by their own problems at present. But if the global economic environment deteriorates they need to be ready to cope with defaults in the Third World. This requires a willingness to think strategically. Ad hoc deals such as that agreed with Brazil provide a breathing space, but not a solution.

Road to reform in Tunisia

ALTHOUGH THE new Tunisian president, Mr Zine El Abidine Ben Ali, holds the rank of general in his country's army, it would be wrong to regard what happened in Tunis last Saturday as a military coup.

Article 57 of the Tunisian constitution specifically caters for a situation in which the state of health of the president no longer allows him to continue in office. Mr Ben Ali was careful to follow the constitutional procedure in asking the state procurator to declare that this situation had arisen - having first fully consulted the government (of which he, Mr Ben Ali, was the head), the leadership of the ruling Socialist Destour Party and the general staff.

It was sad that President Bourguiba, the hero of Tunisia's national independence, should end his reign like this after 30 years and it should not have been necessary. In a democratic country Mr Bourguiba would have been obliged to stand down years ago. His slow descent into senility has done considerable damage to the country.

As Mr Ben Ali rightly said, when announcing that he would seek a revision of the constitution: "The times in which we live cannot tolerate that someone should be elected president for life."

It was refreshing, too, to hear the new president declare that 7.5m Tunisians were mature enough to be enabled to vote for more than one party, and to read newspapers expressing different political views. That approach is all too rare among Arab leaders but will certainly be welcomed by the vast majority of Tunisians.

Austerity policies

Implicitly, and rightly, Mr Ben Ali was admitting that the country's political institutions had been outdistanced by the economic and social changes of recent years. Tunisians had become too sophisticated to accept a system in which ministers could be appointed one day and sacked the next and power depended solely on the favour of one increasingly ailing man.

Several factors encourage optimism about the future of a country which, though part of the Arab world, is in many respects closer to southern Europe.

First, the new head of state has proclaimed some essential truths about the state of the country and has has spelt out in no uncertain words his desire to end the monopoly of power exercised by the PSD since 1957.

Second, it is worth noting the quality and integrity of the senior ministers - especially the new prime minister, Mr Hedi Baccouche - in the government appointed on Saturday. Mr Ben Ali has given himself the means to conduct the policies which he says he wants to see implemented.

Great wariness

Third, Tunisia was, long before Mr Bourguiba, a tolerant society, open to western ideas. The former head of state's 'modern ideas' were much less a product of his own genius than of the country itself.

Fourth, Mr Ben Ali has said he will hold to the traditional tenets of Tunisia's foreign policy, which could be described as one of hard-headed moderation where its peers in the Middle East are concerned, co-operation with Algeria, great wariness towards Libya, and close links with the West, especially France and the US.

Finally, that in turn implies that he is committed to push through the economic reforms initiated by Mr Ismail Khelil, now governor of the Central Bank, who for four years has ensured much-needed stability as Minister of Planning.

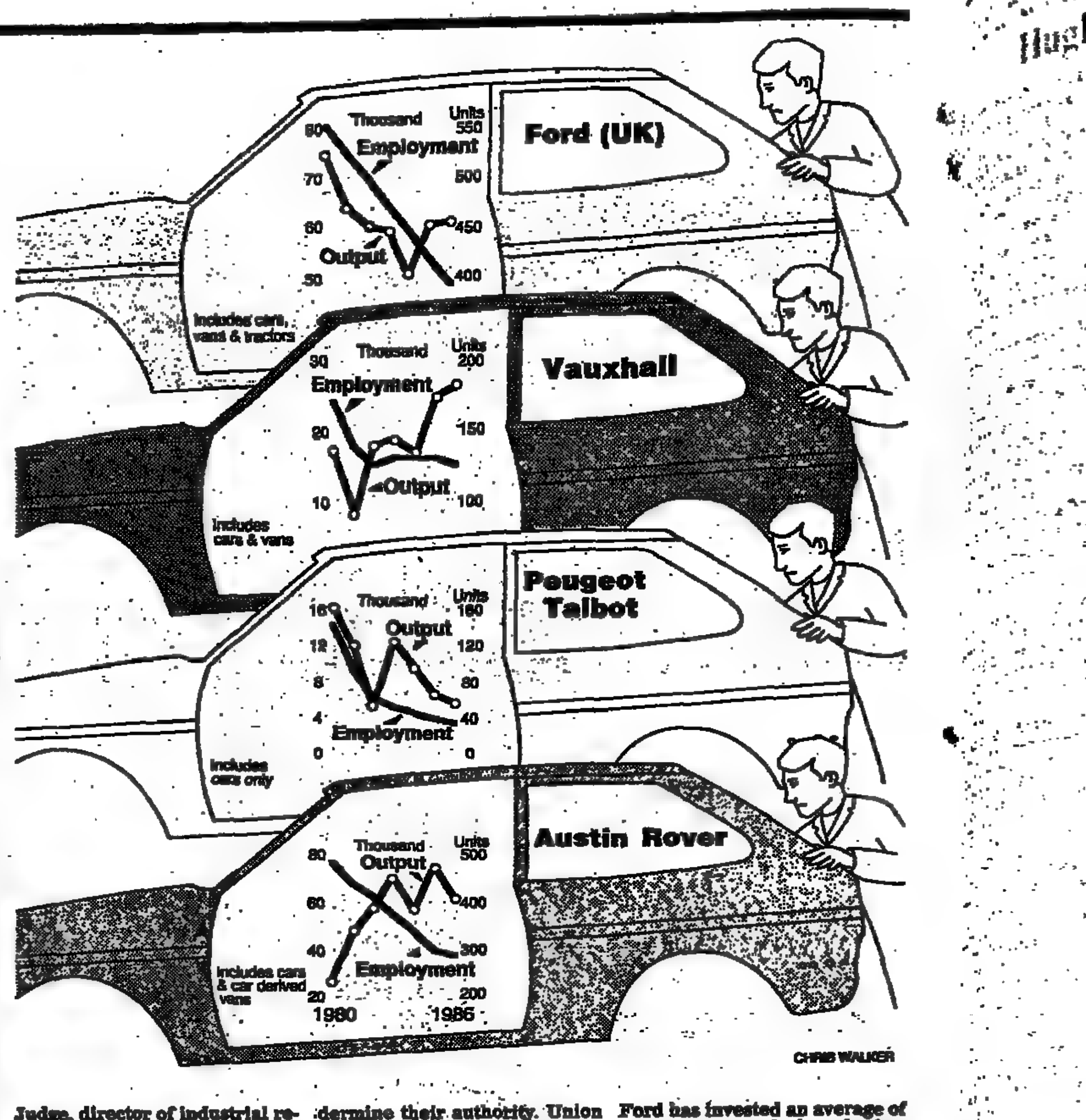
These reforms will be painful to implement but have the full support of the IMF, the World Bank, and Tunisia's western and Arab friends.

For much of President Bourguiba's long reign Tunisia - North Africa's smallest country - enjoyed an influence well beyond what its population of 7.5m people would appear to dictate.

If the new head of state succeeds in injecting a measure of democracy into the body politic, and in improving the country's economic performance, he will have a good chance of recovering that position.

Although working practices in the UK car industry have been transformed, there is still a long way to go. **Charles Leadbeater** reports

Part II of the revolution



UNION OFFICIALS and Ford UK's industrial relations managers will gather tomorrow in a drab looking building in West London to discuss one of the British car industry's most significant wages and conditions agreements.

Ford is seeking a three-year settlement incorporating far-reaching changes to shopfloor practices, such as team working and the introduction of groups akin to "quality circles" - a technique which involves workers at all levels in discussions on raising standards. The talks will provide a crucial test of whether the company's drive to reshape work and production methods - mirrored by all the major UK producers - can be maintained, or whether the unions will baulk at further change.

In the last three years, all the major companies - Ford, Vauxhall (the UK volume car division of General Motors), the state-owned Austin Rover group and Peugeot Talbot - have transformed working practices. Production workers now have more responsibility for quality control. They carry out a wider range of tasks, including simple maintenance, cleaning and ensuring a proper supply of materials to their work stations, and work in different parts of the plant rather than in one place. And in the quest for greater efficiency, skilled workers such as electricians and fitters are under pressure to work more flexibly - although full multi-skilling is still rare.

But while companies believe in the importance of these breakthroughs, introduced against a backdrop of recession and dramatic manpower reductions in the industry, they recognise that they are only the prelude to what must be a permanent revolution.

As Mr John Hougham, director of industrial relations at Ford, told union negotiators 12 days ago when presenting them with the radical three-year offer: "Last time we negotiated on wages (in 1985) we had traded at an operating loss in 1984, the culmination of a reduction in profits every year since 1979. It was a question of survival.

"As a result of what we have been able to achieve together during the past 18 months, we believe we can allow ourselves a degree of cautious optimism. The trend is good, but we have a long way to go before we can feel really secure about our long-term future."

Whether the UK volume car producers can turn early gains into the foundations for permanent reform will be shown in the next few months. In parallel with Ford, Vauxhall is embarking on union negotiations to be followed by Peugeot Talbot and Austin Rover next year.

International comparisons have forced UK operators to recognise relative weaknesses in performance. The competitive advantage of Japanese producers was familiar long before the opening of Nissan's streamlined plant in the north-east of England. Vauxhall, Ford and Peugeot Talbot all had the yardstick of their more efficient continental plants to show up deficiencies in the UK.

In the search to improve competitiveness, companies have sought a more sophisticated approach to industrial relations. They believe that much improved communication with employees has been vital in securing worker acquiescence to change.

Workers at Peugeot Talbot's plant at Ryton, near Coventry, were amazed when the company stopped the track for the first time, in 1980, to hold team briefings. Initially only a small proportion of workers believed the information supplied, but last year a survey found that 80 per cent trusted what the company said.

The greater openness has lent a more positive backdrop to the conduct of industrial relations. Mr David Young, head of industrial relations at Vauxhall, explains: "Unions will only press an issue if they have their members behind them. Workers will only get worked up over an issue if they feel the company has done something wrong or underhand. The task for company communications is to make sure that workers know why the company is doing what it is doing. As long as workers can see the justification for a change, it is unlikely they will take action over it. Combined with the introduction of pre-strike ballots, this has fundamentally changed the unions' approach."

> 'It used to be easy to hate managers. Now it's more difficult because they are cleverer'

Union officials are more ambivalent about the significance of these communications programmes.

Mr Jimmy Airlie, the senior Amalgamated Engineering Union official responsible for Ford, says: "It used to be easy to hate managers, really easy, because they were so awful. It is a bit more difficult these days because they have become a bit cleverer. The company seems to have realised that you catch more flies with honey than with vinegar." The sweetest part has been sustained growth in pay, driven by productivity bonuses on top of basic wage increases.

However, the improvements have been accompanied by greater managerial assertiveness.

Mr Norman Haslam, director of industrial relations at Austin Rover, says: "Management abdicated responsibility for a lot of things in the 1970s, it was that which gave unions such power. We have had to become a lot clearer about our objectives."

The unions have contributed as well. Industrial relations managers talk of the growing realism both of national leaders and shopfloor officials.

As Mr Airlie, of the AEU, puts it: "We have to take profitability into account when we bargain. It would be irresponsible not to. Better to have a job, and a job with a profitable firm, than no job at all."

Improvements in productivity have been impressive. Six years ago, productivity at Peugeot Talbot in the UK was 30 per cent below French levels. Now it has caught up, despite a 30 per cent increase in French productivity over the period. The company's warranty repair costs have been halved by much improved quality. And industry-wide there has been a dramatic decline in the number of days lost through strikes.

But there is still a long way to go. It takes 65 per cent more hours to build a Ford Fiesta, Escort or Sierra in Britain than in West Germany. Ford's British plants still require two and a half times more hours than the Japanese to build a comparable vehicle.

And over the next five years, pressure on UK car makers will probably increase; the European market may decline while Japanese manufacturing capacity in Europe increases. As Ford has warned union negotiators: "If vehicle assembly is to survive in Britain, it will be necessary to produce quality vehicles at full capacity and at cost levels competitive not just with Continental plants but with the Japanese assemblers in Europe."

The two main areas for further change will be among skilled workers and supervisors. Mr Young says Vauxhall will have to "have a major go at skill demarcation lines." Flexibility within trades will be reinforced by flexibility between trades, with electricians learning electronics and mechanical skills. The company also wants to introduce a form of performance-related pay for skilled workers, judged on individual appraisals.

But there are limits to how far this will go. Senior managers at Jaguar, the top-of-the-range manufacturer, believe that productivity gains will come from organising specialist workers more efficiently, rather than from multi-skilling.

This will increase the supervisory burden; says Mr Mike Judge, director of industrial relations and personnel at Peugot Talbot: "Supervisors will have an absolutely crucial role in the future as real mini-managers on the shopfloor with responsibility for controlling costs. Increasingly, they will have broader spans of responsiblity for areas of the plant, including different aspects of production, rather than narrow parts of the line."

Ford plans a complete overhaul of its supervisory structure, appointing group leaders to carry out many of the routine overseeing tasks to free supervisors for a more managerial role.

Mr Hougham, at Ford, sees a day when "demarcation lines on the shop floor - among skilled workers, between white collar and blue collar workers, between supervisors and managers, all those things that used to mark our organisations - will pass away."

But none of the changes can be taken for granted. ASTMS, the white collar union representing most supervisors, says many companies have not faced up to the implications for pay, promotion, training and management style, which follow from integrating supervisors into management.

Ford's radical offer, which includes eventual harmonisation of terms and conditions for blue and white collar workers, has been seen by the manual unions as an attack on skilled workers. They would, for the first time, have to work on the production line alongside the semi-skilled and accept semi-skilled workers as group leaders. The company's suggestion for quality circles to discuss improvements in standards is also likely to meet with hostility from shop stewards, who fear this will undermine their authority. Union officials predict extremely hard fought negotiations: the company's offer was greeted yesterday with walkouts at Dagenham and Halewood.

And at Vauxhall, pay talks only got under way after a nine-day strike at the Luton plant over productivity bonuses. While the unions may in time accept a simpler negotiating procedure, moving towards single bargaining units for blue and white collar workers, there is no suggestion that they will become "company unions".

The unions are also drawing up their own agenda. In the claim submitted on behalf of Ford's 32,500 manual workers, negotiators tacitly accept that there will be moves towards greater flexiblity. But in return they want harmonisation of terms and conditions, a cut in the working week to 37 hours (in line with a recent agreement reached in West Germany) and an employment security deal like that achieved by the United Automobile Workers in the US, based on a jointly run training programme to ease redeployment.

Mr Paul Talbot, an ASTMS national official, says: "At the end of the day, we want employment security provided by a commitment from the companies to manufacture more in the UK."

Will the improvements so far achieved in the relationship between management and unions be enough to improve the position of the UK industry, or will much more radical change be needed?

All the foreign-owned companies have started to produce more in the UK. Peugeot Talbot is investing an extra £30m to produce its new 405 model at Ryton. Over the last four years Ford has invested an average of £220m a year and plans further tranches. But the more competitive exchange rate of sterling over the period has as much to do with this as changes in industrial relations.

An indication of what might be needed to attract major investment has come from two recent agreements. A division of Ford of the US has decided to build an electronics components plant near Dundee, Scotland, on the basis of a single union agreement with the AEU, which had come to a similar arrangement with Nissan over its plant in the north-east.

The resolute multi-unionism of the car industry makes it unlikely that such deals will spread. But as other unions attempt to win recognition at the Dundee plant, they may well be forced to make concessions which will affect the rest of the industry.

Perhaps most significantly, General Motors has incorporated the benefits of single union deals into a multi-union bargaining structure. This summer, the threat of closure of its van plant at Luton forced the unions to accept a greatly simplified grading structure, complete worker flexibility within teams, the introduction of temporary labour and an arbitration procedure designed to make strikes a rarity. A company council, comprising management and union representatives, handles negotiations for both white and blue collar workers.

The agreements to be signed within the next year will signal whether change will come through negotiation, or only through a crisis - in the form of intensified competition from the Japanese and Koreans.

Men and Matters

English may be grounded

Not the least of the results of the British government's current parsimonious attitude towards space spending may be that English will lose its status as the unofficial language of the European space community.

That prognosis follows from events yesterday at The Hague, where ministers from the 13-nation European Space Agency met at the start of a two-day gathering to review the case for a large increase in agency spending over the next decade.

Officials from France, which is Western Europe's biggest space power, and which is ESA's biggest paymaster, have always been miffed that English is the common working language among both the 1,600 employees of ESA and the European space industry in general.

This may, however, be about to change - partly at least due to the political fallout of Britain's reluctance to increase its already modest share of the ESA budget.

French officials at The Hague yesterday were pointedly even more reluctant than usual to talk in English. And the point was rammed home when Prince Claus, the senior male member of the Dutch royal family, formally opened the conference with a rather good speech made, not in English as had been expected, but in French.

Royal show

Prince Charles has every reason to feel satisfied about the prospects for an exhibition - generally believed to have been his own idea - which is being held in Birmingham today.

Two hundred young people - originally "disadvantaged socially, economically, environmentally or physically", or just plain unemployed - who have set themselves up in business with money and advice from the Prince's Youth Business Trust, are putting their wares on show at the National Exhibition Centre.

So much interest has been generated that the list of buyers who have accepted the invitation to look around would be the envy of many a professional trade show. Just about every prominent retailer in the country, from Fortnum and Mason to Tesco, will be represented.

About 60 of the stands are devoted to fashion but a wide spectrum of activities is covered, including that of one young man's enterprise, a company called Crawlies, which breeds and sells such things as scorpions, giant millipedes, red velvet mites, spiders and African grasshoppers.

Not quite Fortnum and Mason's cup of Earl Grey, perhaps, or mine, but the 25-year-old budding businessman responsible, Stephen Hurley, from Dudley, seems to be making a success of it.

"On behalf of B.Cal and A.N.Other may I welcome you aboard this flight..."

Third term

Edouard Saouma, who was re-elected yesterday as director-general of the United Nations Food and Agriculture Organisation (FAO), is a short, dapper, and tough Lebanese who overcame fierce criticism from several donor countries to obtain an unprecedented third term.

In his 12 years as FAO chief, Saouma has presided over the agency during one of its greatest challenges - the 1984 Ethiopian famine, the worst in African history.

Some seven million tonnes of food were amassed worldwide for the emergency, and the agency helped organise a $250m recovery programme for 25 drought-stricken countries in Africa.

But Saouma's critics, notably Canada, said the director-general was too slow in approving emergency relief for Ethiopia and did not take the lead in the relief effort as it had in the 1970s.

After his election to the post in 1975, Saouma worked to increase FAO's role in development, reduce administrative costs, and streamline decision-making.

The US State Department, despite its open support for his election rival, Benin's Moise Mensah, acknowledged Saouma had 'done an excellent job managing the organisation and keeping internal programme discipline'.

Saouma also took credit for instituting World Food Day in 1979 which on every October 16 publicises the work of the world's small farmers, foresters and fishermen.

A graduate in agricultural engineering and agricultural chemistry and a linguist, Saouma represented the Lebanese government at FAO for almost 10 years in the late 1950s.

In 1981, he was elected unopposed for a second six-year term as director-general.

But during his recent campaign, his management style came under increasing attack with many donor countries accusing him of being autocratic, imperious, and egocentric.

Jury rig

Since quitting the woolsack, Lord Havers, the former Lord Chancellor, has highlighted the value of the FT to those who want to escape the rigours of jury service.

The formula he recommends is to turn up in a smart suit with a copy of the FT under your arm - and a peremptory challenge by the defence is reasonably certain to follow.

So that none of our readers is misled it might be as well to remember the old maxim - legal advice is worth what you pay for it. They should also note that the right of peremptory challenge is set to disappear when the Criminal Justice Bill becomes law.

Each way bet

The latest investment recommendations from the bank stock analysts at Barclays de Zoete Wedd are most interesting. Their Banking Bulletin advises holders of Lloyds Bank shares to switch into Midland Bank. Yet on another page Midland shareholders are advised to switch into Lloyds. The crash has evidently opened up some unprecedented trading opportunities.

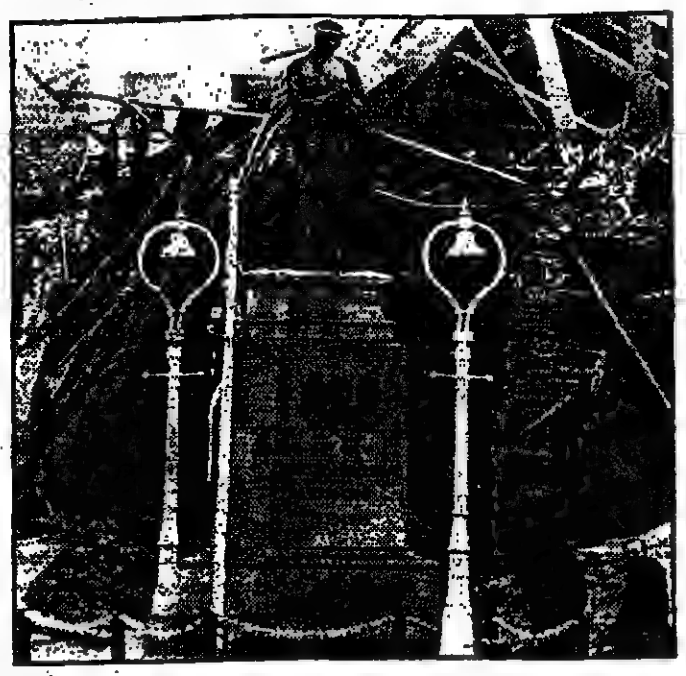
Typecast

The Japanese are evidently as sceptical about the true value of Permanent Secretaries - the Sir Humphrey Applebys who run the Civil Service - as are addicts of Yes, Prime Minister. Malcolm Rifkind, the Scottish Secretary, told a Scottish audience last week that on his recent trip to Japan, the Japanese interpreter translated Permanent Secretary as "everlasting typist".

Observer

Ireland has been dazed and horrified by the events at Enniskillen. **Hugh Carnegy** looks at the aftermath of the bombing

Sinn Fein's heart of darkness



IT IS NOT often that spokesmen for Sinn Fein appear rattled by the actions of the IRA.

Most IRA shootings, bombings and other attacks in Northern Ireland are catalogued in triumphant terms in Republican News, the party weekly, under the headline War News, reflecting the closeness of the sister organisations whose memberships in many shadowy cases overlap.

For most of yesterday, however, officials of Sinn Fein - the IRA's political wing - from President Gerry Adams downwards, were either avoiding making comments on Sunday's brutal Remembrance Day bombing in Enniskillen or spluttering sympathy for the victims.

More than 24 hours after the event, the IRA finally admitted responsibility, offering deep regret at the "catastrophic consequences" of a bomb it said blew up without being triggered. It suggested British army electrical scanning devices might have set it off and said the device was intended not for civilians but "crown forces".

This, and Mr Adams' statement that he regretted the bombing "very much", will come as no comfort to the victims of the explosion and their friends, to whom he offered condolences. But the IRA/Sinn Fein reaction is significant.

Such public apologies are very rare, the last coming when an IRA unit planted a bomb outside Harrods store in London just before Christmas in 1983 killing six people.

The convention is that figures like Mr Adams do not, in effect, criticise IRA actions. As he said of IRA dead in his speech to the annual Sinn Fein conference in Dublin at the beginning of the month: "We will never desert those volunteers in life or death. Is it too little to ask that in the coming year we advance the struggle in which they died?"

But as the Sinn Fein reactions to the bombing suggest, the recent publicly proclaimed strategy for "advancing the struggle" does not stretch to outrages as awful as Enniskillen. The distinction is a fine one but it is important within the gruesome world of the IRA.

The IRA has avoided indiscriminate killing of civilians for some years, concentrating instead on what it can characterise as military targets or agents of British rule such as Lord Justice Gibson, killed with his wife in a car bomb blast earlier this year.

Killing and maiming civilians was reckoned to hinder the Republican cause because - as commentators are unanimous in believing will happen after Enniskillen - such actions alienated many Irish nationalists who otherwise were sympathetic to the IRA.

A key element to the recent thrust of Sinn Fein/IRA policy has been the building of a wider conventional political base by championing welfare and other issues in the North and especially in the Republic, where Mr Adams is keen to broaden Sinn Fein support despite its dismal showing in last February's general election. This can hardly be done if the IRA is involved in the murder of innocent civilians.

Nevertheless yesterday's statement will not dispel speculation that there are tensions within the IRA over tactics. Mr Adams and his supporters have always had to perform a delicate balancing act in pursuing their joint "armalite and ballot box" policy because of pressures from hardliners that the political campaign inevitably saps military energies. The series of setbacks suffered by the IRA in recent months must have exasperated many of its "volunteers".

The year started well for the IRA. In the first few months of 1987, after reorganising in Belfast, the IRA mounted a more concerted series of attacks across the province that it had for some months. Then things began to go wrong. In May, eight IRA men, including some senior gunmen, were killed in an ambush while attacking a police station at Loughgall in County Armagh. The security forces have uncovered several tonnes of arms on both sides of the border and the IRA has lost 13 men so far this year.

This month, a shipment of 150 tonnes of arms destined for the IRA was intercepted by French customs on the coaster Eksund off the French coast. Meanwhile, the Royal Ulster Constabulary has continued to intervene at funerals of dead IRA men to prevent shows of arms - a source of fury within the organisation. The latest Republican News devoted four pages to clashes with the RUC at the funeral last week in Londonderry of senior IRA gunmen Paddy Deery and Eddie McSheffrey, killed by their own car bomb.

The killings in Enniskillen can well be classified as another setback for the IRA. The bombing came hard on the heels of an extraordinary kidnap escapade in the Republic carried out by a former IRA man, Dessie O'Hare - who, although no longer a member of the organisation is still perceived as being linked to the Republican movement.

The O'Hare gang's treatment of dentist John O'Grady, hacking off his little fingers with a hammer and chisel and then fleeing from the police in a series of violent incidents, caused a wave of revulsion in the Republic against violent republicanism - revulsion now compounded by Enniskillen.

Dublin has been dazed, frightened and horrified by these happenings as never before, according to a senior official at the Foreign Ministry.

Crucially, from a British point of view, the killings have helped swing opinion on the key issue of extradition, which previously threatened to damage relations between Dublin and London in the approach to the two year anniversary of the Anglo-Irish Agreement on November 15, 1985.

The Fianna Fail government of Mr Charles Haughey has faced opposition to ratification of new extradition laws designed to smooth the process of extraditing republican gunmen to the North, due to come into effect on December 1. A few weeks ago the feeling was that Mr Haughey (somewhat reluctantly given his desire to keep relations with Mrs Thatcher sweet) would bow to that pressure and block the bill which London so earnestly wants implemented.

Now the chances are much better that it will go through on a wave of horror at the excesses of republican violence, although officials caution that the issue is not determined yet. Dublin remains dissatisfied over the linked issue of judicial reform in Northern Ireland. What Irish officials regard as "the painful rate of progress" in reforming the one-judge, non-jury courts by Britain still sticks in the Dublin craw.

In whatever direction the political ripples from Enniskillen spread, the Unionists in Northern Ireland know better than anyone that 1987 has been a grim year. Some 87 people have died in the north so far this year, compared with 61 in the whole of 1986.

For two years, Unionists have complained, more in anguish than with relish, that the Anglo-Irish Agreement has failed in its aim of improving security. The statistics, and especially the ghastly scenes in Enniskillen, give their isolated cry credibility. The two governments face a hard task in making their two-year-old promises to the Unionists stick.

FOREIGN AFFAIRS

Europe pines for the good old days

Ian Davidson finds America's allies short of a coherent response to nuclear disarmament

ONE OF THE traditional activities of the members of the Nato alliance is that of whistling in the dark: sometimes they do it in unison, and sometimes in harmony, but always very earnestly. Last week in California, however, they gave a performance which rang so discordantly false as to be almost comical.

The Atlantic Alliance is faced with the imminent prospect of a summit in Washington, at which Mr Reagan and Mr Gorbachev will mark a new phase in the post-war history of East-West relations by signing an agreement to do away with a whole category of Intermediate-range Nuclear Force (INF) missiles based in Europe. But instead of rejoicing at the peaceful implications of this great act of statesmanship, the allies go round sounding as if they had swallowed a battery of fevered frogs.

President Reagan tried to console his European allies for his triumph in the gentle art of arms control, by promising them that the US commitment to the defence of Europe was still, after all, "unshakable", and continued to rest on Washington's "steadfast nuclear guarantee".

Coming from a President who has done his best to call in question the morality of nuclear deterrence, and who was ostensibly prepared a year ago at Reykjavik to negotiate the removal of all ballistic nuclear weapons, such assurances may have at best an uncertain value.

But Mr George Younger, the British Defence Secretary, took a grip on himself, rose manfully to the strains of the occasion, and announced to the world at large and to his European colleagues: "It is now up to us to make clear that we strongly support the INF deal." The newspaper accounts tactfully did not actually state that he choked back a sob or two, but the very words betrayed the effort of putting loyalty to the Americans above his regret at the loss of the Euromissiles.

In reality, of course, the European Nato Ministers were giving an eloquent practical indication of how much they genuinely supported the prospective agreement, because the purpose of their meeting in Monterey was to discuss whether they could circumvent the Euromissile agreement by modernising or introducing other types of nuclear weapons.

Their conditioned reflex is understandable. For the past 20 years Nato has worked on the premise that it must deploy a gamut of short-and medium-range nuclear weapons to compensate for the Warsaw Pact's conventional superiority; for the past eight years it has been working towards a variant of this premise, to the effect that medium-range weapons in Europe may be preferable to very short-range weapons. Suddenly the superpowers have pulled the rug from under these two premises, and the Ministers and the military are struggling to reconstruct a replacement for what they had before.

If there is military and practical logic in a ladder of nuclear escalation, which extends from battlefield artillery through short-range and medium-range missiles to central strategic systems, then the military planners are right to be disturbed if the whole of one rung of the ladder is abruptly whipped away. For this reason, many people believed that a stand-alone Euromissile deal would make no sense to the military planners of either superpower.

In the end, however, political imperatives prevailed over military logic. A Euromissile deal was easy to define, quick to negotiate, and seductive to display: both Reagan and Gorbachev needed it.

This victory of the political imperatives of the superpowers, makes the specifically and insistently nuclear obsessions of some of the European allies look not merely out of step but out of place, a belated attempt to twist the clock back to the good old days when Europe could rely both on the Americans and on nuclear deterrence to maintain the East-West balance.

When John Kennedy sealed the settlement on the Cuba crisis with an unpublicised promise to match the removal of Soviet medium-range missiles from Cuba by a removal of American missiles from Turkey, anyone who knew thought it a wonderfully statesmenlike gesture which helped bring the world back from the brink of a terrifying confrontation - but which did not fundamentally alter the essentially aggressive terms of the East-West relationship.

If, on the other side of the mirror, Richard Nixon had proposed and Leonid Brezhnev had accepted, a Euromissile deal like the one we face today, no doubt it would have been welcomed as a statesmanlike contribution to the process of detente: it would have enabled the superpowers to contain their confrontation, but would not have fundamentally altered a relationship which had become less overtly aggressive than in the 1950s and 1960s, but was still one of potential violence.

Today, the political implications of the Euromissile deal are much more significant than either of these historical or imaginary instances - or at least, they may be - and it is the indeterminate chasm of uncertainty between "are" and "may be", which makes it so difficult for the dependent European members of the Atlantic Alliance to know how to respond.

As a result of this uncertainty, however, European members of the Alliance seem to be reacting in neurotic and infantilist ways, by proclaiming ever more loudly their faith in the doctrine of nuclear deterrence, and by calling ever more insistently on the US to stand by its European commitments.

These reactions are neurotic, because if Europe has a military problem, it is increasingly implausible to suppose that it can be simply handled by a narrow reliance on nuclear weapons, let alone by a narrow reliance on a particular category of nuclear weapons. It is true, as the British and French governments never stop reminding us, that the West will need nuclear weapons for deterrence as long as there are nuclear weapons on the other side. But for better or for worse, the world has moved on, and it is no longer possible to subscribe to the simple belief that nuclear weapons are a cheap and easy way to guarantee national security.

Part of the undermining of faith in the utility of nuclear weapons can be laid at Reagan's door - Star Wars, Reykjavik, and all that. But most of it is attributable to the twin facts of superpower parity and proliferation, and the harsh reality that neither side has been able to devise a plausible scenario for using nuclear weapons.

At the same time, Europe's reactions are infantilist, because its repeated demands for reassurance from the Americans are irrelevant to the real problem. In strategic terms, the idiosyncrasies of President Reagan can now be discounted. Star Wars was an immensely dangerous dream, and it may become dangerous again: but for the moment it is being stymied by its cost, by its absurdity and by the Senate's concern for arms control.

The European-American relationship is again what it was: immense mutual commitment, with an immense question mark over the nuclear element of that commitment; but as Henry Kissinger pointed out ten years ago, it is no good calling on Daddy to repeat promises he cannot possibly mean.

By contrast, it is the other side of the East-West relationship which has changed radically in terms of dialectic, and may have changed fundamentally in terms of objectives. For Mikhail Gorbachev, the Euromissile deal is not so much a way of getting rid of those threatening Pershing IIs, as a part of a larger foreign policy campaign.

Optimists may hope he is a convert to peaceful internationalism, pessimists may fear that his peace offensive is just a more seductive way of pursuing the old offensive objectives. But in either case, there is no sense in making a big public fuss about the importance of nuclear deterrence, when Europe is profoundly divided over the role of nuclear weapons.

The Alliance is manifestly short of a coherent strategy for responding to Mikhail Gorbachev's fancy footwork: and within the Alliance the Europeans have yet to give any impression that, if his political manoeuvering were to succeed in levering open a great crack between European and American interests, they would be able to get their collective act together. That would be real deterrence. But so far, the loudest noise we hear is the discordant croaking of frogs.

Letters to the Editor

Roles in the boardroom

From Mr Austen Hamilton

Sir, The article (November 2) on company chairmanship highlighted once again the confusion over the roles and functions of board members.

In broad terms there has been a shift during the history of the joint stock company. Once the norm was a board primarily representing shareholders' interests who appointed a general manager answerable to them for the well-being of the business. Now it is much more common to have a boardroom dominated by an executive team whose management function leads them to view the shareholders' interests as but one set of factors to be considered in the business strategy.

This is the context of the debate over the appointment and functions of non-executive directors, and the ambiguities in the role of the modern chairman. Attempts to resolve the potential conflict between the two roles of the board, as management and as shareholders' representatives, generally involve recourse to American practice. This overlooks the alternative approach, based on the European model, of the dual board structure.

In this latter case the functions are clearly separated between a supervisory board and a management board. This allows each board to achieve specific goals in its well-defined area of activity. It avoids imposing confusing, where not directly conflicting, demands on individuals without constraining their achievement of the specific ends of their particular board role.

I would suggest that the solution is not solely a matter of better statutory definition of the duties of boards, of the obligations of specific types of directors, or of the role of the chairman. It is more fundamentally an examination of the conflicting responsibilites currently imposed on a single board. Separation of powers might in fact be the better American model to follow - which in this case is more clearly achieved by our European neighbours.

A. Hamilton,
332 Stainbeck Road,
Leeds, West Yorkshire

Tory Party chairmanship

From Mr Eric Chalker

Sir, Commenting on the chairmanship of the Conservative Party, Peter Riddell writes (November 6) that Mrs Thatcher has a choice between someone inside the Cabinet or someone outside. There is a third choice, however.

Mrs Thatcher could decide to bring to her own party the same democracy and accountability that she clearly feels is so necessary for other organisations. She could give up the antique "right" to make the appointment herself and hand it over to the Party's Central Council, as the Charter Movement has long argued should be the case.

The Central Council, which brings together officers of the constituency associations, parliamentary representatives and Party professionals, is ideally suited to make the choice of Party Chairman.

That representatives of the membership of the Party should choose the Party Chairman was right in principle even when the position was commonly seen under its correct title of "Chairman of the Party Organisation". Now that it is widely seen, as Peter Riddell describes it, as "Chairman of the Party" (which even Mr Tebbit uses on his notepaper), there is no justification whatever for keeping this as some kind of sovereign appointment.

E. Chalker
21 Ingleside Close,
Beckenham, Kent

Japanese car prices

From Mr Alasdair Smith

Sir, Your account of my remarks at the CEPR lunchtime meeting on November 3 is incorrect.

I did not claim, as you report, that after the removal of voluntary export restrictions (VER) "car prices would be lowered by 11 per cent." In my talk I noted that the current Japanese share of the UK automobile market is 11 per cent.

Our research suggests that removing the VER would reduce Japanese car prices in the UK by about 7.5 per cent and reduce the prices of non-Japanese cars by somewhat less than this. Perhaps more important than the full effect of removing the VER is the comparison of the VER with import restrictions by tariff. You report our estimate that the VER is twice as costly a method of protection as the "equivalent" tariff, but it should be emphasised that the extra cost of the VER comes not only from the fact that it pushes up the prices that Japanese firms may charge for their cars, but also from the fact that other firms are able to charge highter prices because of the limits placed on potential competition from the Japanese. There is a more general message about the danger of market-sharing arrangements as an instrument of trade policy.

Alasdair Smith,
Centre for Economic Policy Research,
6 Duke of York Street, SW1

Investing in electricity

From Mr W. R. H. Orchard

Sir, The objections from industry to the Government increasing the rate of return required on the CEGB's capital is astounding. For capital projects with a 25 year life, a 5 per cent rate of return represents a pay back of 14 years on capital. No industrialist would consider such a pay back appropriate for one of their investments, so why should our national capital resources be misallocated to investment in electricity supply with such appalling returns?

In Energy Efficiency Year, Peter Walker identified many areas where demand for electricity and other fuels in industry could be reduced, including options such as on-site generation in the combined heat and power mode. Many CBI members would not undertake these measures to reduce demand unless they showed a one to three year pay back period.

Public investment in electricity generation is at present a misallocation of public money. The Government would get a far better return on the capital by offering industry a 50 per cent grant to invest in the many six and seven year pay back, local generation, schemes that industry is not pursuing, than by allowing the CEGB to invest in new power stations with 14 year pay backs.

The losses the CEGB makes on supplying electricity to large consumers, pricing it on hypothetical imported coal, go into their non-marginal energy charge which is spread across consumers in general who subsidise large industry. If we want lower electricity prices, the key is a lower cost of coal. If we want better allocation of capital resources, then Nigel Lawson should not be satisfied with a 5 per cent real rate of return on capital for the electricity supply industry; he should set the sort of rates of return that industry itself demands on new projects, which are between 8 per cent and 30 per cent.

If the Government required the CEGB to present a profit and loss account for each of its past station projects, the public would have a better idea of the CEGB's successes and disasters. The major benefit of privatisation would be that at present the disasters are paid for by electricity consumers, whereas with private sector-led ventures the investors in the project would gain or lose.

W. R. H. Orchard,
3 North View,
Wimbledon Common, SW19

Peace in the Balkans

From Mr Aleksa Gavrilovic

Sir, Judy Dempsey's article on the events in Kosovo (October 22) may give the impression that the reaction of the Serbs was precipitous. The Kosovo problem is long-standing and the Milosevic-Pavlovic dispute should not be allowed to cloud the issues. The Serbian attitude has been best expressed in an open letter signed in January 1986 by 200 prominent citizens, members of the Serbian Academy of Sciences and Arts, University professors, authors, scientists and artists. The letter reviewed the situation in an objective way and asked that all citizens, the Albanian majority and the Slav minority, should have equal rights, due to all citizens of Yugoslavia.

Ms Dempsey writes that the Republics of Croatia and Slovenia advocate "a long term stable integration of Kosovo demands". The problem is how to achieve that when the Albanians are not prepared to accept anything less than "an ethnically pure Kosovo". 30,000 Serbs were forced to leave their homeland in recent years. It is difficult to see how the Yugoslav Government could allow this to continue and at the same time safeguard the unity of the country. Considering that Bulgaria has never abandoned its claim on Eastern Serbia and Macedonia and the Albanians have aspirations beyond Kosovo, a strong and united Yugoslavia is needed if peace is to be maintained in the Balkans.

Aleksa Gavrilovic,
3 Rowley Avenue,
Stafford

BP loyalty bonuses

From Mr D. W. Moss

Sir, Mr Michael Pilch's plea (Letters, November 4) for an increase in the loyalty bonus from a level of 1 for 10 to 3 for 10 is arguably as "immoral" as indulging in persuasive advertising, before the event.

Surely, we must all be responsible enough to act within the rules of the game as known before participating and not expect the goal posts to be moved favourably when the play is all over.

Incidentally, the 270,000 shareholders "duped by the £20 million advertising hype" Mr Pilch attributes to the "power of advertising" seems to me to be a demonstration of the weakness of advertising in that it achieved only a 4 per cent positive response for a £20m investment, based on 7 million potential participants.

D W Moss,
Beechwood, Box Lane,
Bovingdon, Herts

FINANCIAL TIMES
Tuesday November 10 1987

A spare $18,868 secures a slice of NTT

BY CARLA RAPOPORT IN TOKYO

A JAPANESE could today go out and buy a new Honda Accord or, for the same price, one share in Nippon Telegraph and Telephone, the country's largest telecommunications operator.

The second tranche of 1.95m NTT shares goes on sale today at a price of Y2.55m ($18,868) each, set by the Ministry of Finance yesterday.

Will the Japanese turn out in droves to buy a share in a company that offers a yield of 0.18 per cent, stands on a price/earnings ratio of 269 and shows dubious prospects for growth?

The answer is almost certainly "yes". Despite the recent turmoil in the stock market, NTT remains an emotional issue in Japan, laden with sentimental overtones. Investors are expected to line up, not for the fundamentals, but for the feeling of owning a part of Japan.

The first tranche of NTT shares was sold earlier this year at Y1.2m and immediately soared upwards because of the heavy demand and limited availability.

NTT instantly became the largest company in the world on the basis of market capitalisation. At one point, its market value outstripped the combined worth of the Hong Kong and West German stock exchanges.

Amid the worldwide crash in equity prices, NTT has been relatively resilient, slipping about 10 per cent in value since mid-October. The striking price for the second tranche was put at 3 per cent less than yesterday's closing price.

"People feel they are buying a slice of Japan Inc in its most visible form, rather than just investing in a share," said Mr Peter Tasker, an analyst with Kleinwort Grieveson Securities in Tokyo. "It's buying a rare slice of the industrial structure."

On more practical grounds, brokers say that many companies aiming to do business with NTT, such as suppliers and insurance companies, are expected to pile into the issue. Unlike the first tranche, 80 per cent of this issue is expected to go to financial institutions and businesses.

Nomura, Japan's leading stockbroker, said the company already had a surfeit of applicants for its allocation of shares. A survey of potential investors done before the crash showed that most believed a price of Y2.5m was acceptable.

France and Britain clash over space plans

BY PETER MARSH IN THE HAGUE

FRANCE and Britain clashed head on yesterday over the shape of Western Europe's proposed space programme, with the UK suggesting that the 13 nations of the European Space Agency were being asked to spend large sums on projects aimed at meeting French aspirations.

Mr Kenneth Clarke, the UK Trade and Industry Minister, claimed support for Britain's views from many of the agency's members. They are debating, at a two-day meeting in The Hague, whether to raise the annual budget from $1.7bn (£950m) to nearly $3bn by 1993.

"Most of the other countries don't want to pay a huge bill to meet French aspirations," he said, making it clear he objected to all three big projects which agency officials hope to start in January.

Britain yesterday formally proposed delaying until next summer a decision on the three projects - the Columbus manned space laboratory, the Hermes mini space shuttle and the Ariane-5 launcher - to allow agency members time to reconsider the general direction of the agency.

Mr Alain Madelin, the French Industry Minister, insisted that all three projects, which are due to cost about $13bn by the end of the century, should start on schedule.

He said both Hermes and Columbus were essential to fulfil European aims of attaining a manned space capability independent of the US and the Soviet Union.

Ariane-5 is also crucial in French eyes. Besides carrying satellites, the rocket is also due to have the job of lifting into orbit Hermes, which would have no propulsion system of its own.

Mr Madelin also said the agency should proceed with Columbus even if Western Europe failed to agree with the US on the terms for joining the laboratory to the core of a manned US space station due to go into orbit in the mid 1990s.

The French Minister, whose government is Western Europe's most enthusiastic space power and agency's biggest paymaster, providing a quarter of its budget, went out of his way not to spark a full-scale row with Britain.

He said he did not think Mr Clarke was being negative but he found the UK view that futuristic space projects should attract significant private sector cash "rather a dream."

Expanding on the UK position, Mr Clarke said the agency was "in danger of getting carried away" with having a manned space capability by the year 2000.

He said he sensed the excitement of Hermes, but could see no commercial logic for Europe's developing its own space transport system for people, especially as the US and Soviet Union were already ahead.

Mr Clarke said he opposed the current proposal for Ariane-5, an improved version of Western Europe's existing Ariane rockets which are sold commercially, because the job of making it capable of lifting Hermes would endanger the rocket's success in its main job of lifting ordinary satellites.

West Germany, Western Europe's second biggest spender on space technology, is trying to take a conciliatory role mid-way between the French and UK positions.

Mr Clarke said he would not rule out the chance of a compromise by the time the agency meeting ends this evening. "But it is not easy to see how we can agree," he said.

Colombo bomb blast kills 26, injures 100

By Mervyn de Silva in Colombo

TWENTY SIX people died and more than 100 were injured - many of them seriously - when a bomb exploded in Colombo yesterday as the Government discussed controversial legislation aimed at ending Sri Lanka's four-year ethnic crisis.

Police accused the outlawed Marxist Janatha Vimukthi Peramuna (People's Liberation Front, JVP), an extremist group dominated by members of the country's majority Sinhalese community who bitterly oppose compromise with Sri Lanka's minority Tamils.

Under the terms of President Junius Jayewardene's July 29 pact with India, substantial power is to be devolved to the island's Tamil minority.

The controversial bills, which are to be introduced in the Sri Lankan parliament today, spell out the powers of semi-autonomous provincial councils to be set up under the Indo - Sri Lankan pact and are designed to meet Tamil demands for a homeland.

Yesterday's explosion, near a police station in the working class Maradana district, poses a significant challenge to President Jayewardene's authority.

President Jayewardene was also criticised by Mr Rajiv Gandhi, Indian Prime Minister, who accused him of failing to meet the expectations of the island's Tamil minority in the legislation.

Mr Gandhi also launched an attack on Tamil Tiger extremists for their violent attacks on civilians and Sri Lankan troops and for repudiating the July agreement he had signed on the Tamil ethnic issue in Sri Lanka.

Colombo and its suburbs have been placed under tight security following intelligence reports that the JVP was planning attacks this week when Parliament debates the two controversial bills.

MPs from the ruling United National Party (UNP) were moved into heavily guarded five star hotels yesterday.

The MPs have been receiving death threats, printed in red, from an organisation called the National Patriotic Movement, which the police say is a JVP front.

In mid-August, one government MP died and several MPs and ministers were injured when Sinhalese extremists opposed to the peace accord tried to assassinate President Jayawardene in a grenade attack in Parliament.

At a special Cabinet meeting summoned by Mr Jayawardene yesterday, the ministers agreed to amend a clause which the Supreme Court had held would require a referendum.

A sharply divided Supreme Court finally ruled by five to four that the bills did not violate the constitution and could be passed if the offending clause was withdrawn.

Gandhi criticises Sri Lankan legislation, Page 5.

Eurotunnel offer limited for UK investors

BY RICHARD TOMKINS IN LONDON

PRIVATE INVESTORS in Britain planning to buy shares in next week's flotation of Eurotunnel, the Anglo-French Channel tunnel group, are likely to be offered little more than a quarter of the £770m ($1.37bn) worth of stock being issued, it emerged yesterday.

This means that there will be room to satisfy applications from about 200,000 British investors compared with the 500,000 who have registered with Eurotunnel's UK share information office. A ballot among applicants therefore seems probable unless sentiment towards the issue worsens.

Eurotunnel is expected to offer about £350m worth of shares on each side of the English Channel when the flotation begins on Monday. This is rather more than originally expected, because in the wake of the BP flop it now expects to sell only about £70m worth of shares in other international markets instead of £150m.

However, the allocation to UK private investors will be small because Eurotunnel is aiming to place between 30 and 50 per cent of the UK shares with institutional investors in advance of the public share offering.

The company's advisers say this is partly to achieve a demonstration of institutional confidence in the issue and partly to secure preferential treatment for institutions which backed earlier private placings of Eurotunnel's shares.

In France, which has a different distribution system, the shares will all be effectively placed with a group of banks, which will then sell them to institutional and private investors on a first-come, first-served basis.

In the UK, there will be no clawback of the firmly-placed shares into the public offering if demand from private investors is heavy. This is because Eurotunnel is not a privatisation issue and the widening of share ownership is not among its priorities.

For the same reason, the shares will not be sold on a partly-paid basis. Investors will have to apply for £350 worth of stock to qualify for the smallest travel perk and £5,250 to qualify for the largest. The average level of application is thought likely to be £1,000.

In the event of an oversubscription, rationing will almost certainly be achieved through a ballot rather than through a reduced allocation, because the second method would make it impossible for investors to know which perks they were going to get.

It also emerged yesterday that the offered shares will be sub-underwritten at a rate of 1.5 per cent in the UK compared with the normal rate of 1.25 per cent and the unprecedentedly low rate of 1 per cent achieved for the BP issue last month.

A higher rate is being offered because of the unusual nature of the issue and because of the long gap between the opening date - still expected to be Monday - and the start of dealings on December 10. The firmly placed shares will not be underwritten.

The pathfinder prospectus for the flotation reveals that provision has been made for the UK and French issuing houses to intervene in the after-market for the shares at any time up to the end of next January.

Warburg Securities, one of the company's UK advisers, said yesterday that such a provision was commonplace in France and was intended to give the placees confidence that the issuing houses would support the price when dealings began.

Lawson optimistic on G-7 currency co-operation

Continued from Page 1

to be some informal consultations between governments, but he hoped that it would be not much more than a week before a formal meeting of finance ministers and central bankers was held.

Turning to Britain's prospects, he said he remained confident that the economy would weather the recent storm on financial markets.

If the effects, however, were more damaging than expected, the main flexibility in Government policy would be seen in lower interest rates rather than in a much higher public sector borrowing requirement.

Although the precise figure for next year's PSBR will not be set until the Budget, Mr Lawson said that he would be "very reluctant indeed" to see it any higher than the 1 per cent of national income set as a guideline in the medium term financial strategy (MTFS). For this year, the PSBR is forecast at £1bn or around 0.25 per cent of national income.

The Chancellor also underlined his commitment to seek to hold sterling stable against the D-Mark, but made it clear this involved not only keeping the rate below DM3.00 but also not allowing it to fall significantly. If costs in Britain's industry rose faster than elsewhere he would not be prepared to "bail it out" through a lower exchange rate.

A stable exchange rate had two clear advantages - it provided a useful anti-inflation discipline and it allowed business and industry to know exactly where it stood, Mr Lawson said. And, in that context, the D-Mark rate was particularly important, although the Government could not fix an exact point from which the rate could never fluctuate.

He acknowledged that full British membership of the European Monetary System would have advantages. Primarily, it would give a greater guarantee of continuity of policy over a number of years in much the same way as the MTFS had done.

Mr Lawson said that the recent BP issue would be followed by a full review of the Government's privatisation programme - a review which had been planned even before the stock market fall. The Government had already secured its planned privatisation receipts of £5bn for 1988-89 so no large-scale asset sales were planned in that year. However, if state industries like British Steel were ready for flotation in that year, overshooting the £5bn target would not be an obstacle.

Finally, the Chancellor said he had no plans at present for a Green Paper on the taxation of savings and investment. Such a consultation document has been promised before the Government embarks on any major overhaul of the tax treatment of pension funds.

Security talks on Ulster

Continued from Page 1

national co-operation to defeat it.

He rejected suggestions that the Anglo-Irish agreement had heightened violence in the province and said he had no intention of embarking upon a review of the agreement before the scheduled date next November.

Mr Kevin McNamara, Labour's Northern Ireland spokesman, agreed that the community should not retaliate or over-react but should help the fight by supporting the forces of laws and order.

He claimed the bombing had given the lie to any suggestion that democrats could flirt with those who supported a "bullet and ballot" strategy designed to legitimise terrorist action. Labour's home policy committee last night endorsed its support for the Anglo-Irish agreement

Brazil court ruling

Continued from Page 1

ister Dilson Funaro and the country's motor manufacturers.

The company claimed that the refusal by Mr Luiz Carlos Bresser Pereira, the succeeding minister, to honour the accord legitimised its refusal to accept a 10.9 per cent price rise, imposed by the national prices council.

Under the agreement, carmakers were offered guaranteed profit margins in return for investment and export commitments.

Mr Bresser Pereira claimed that the April accord was only an outline gentleman's agreement without legal standing. Furthermore, government reductions of production taxes - recently cut back to 42 per cent of the retail price - represented a major concession, he said.

Dole sets sights on big time

Continued from Page 1

which he has learned to turn on himself of late will, at a critical moment in the fight for the Republican nomination, be turned too viciously against one of his rivals.

That Mr Dole and his advisers themselves are wary on this score was evident two weeks ago in a nationally televised debate among the six Republican candidates. Mr Dole was judged to have gone so far out of his way to avoid being labelled as nasty and aggressive that he made a minimal impact on an event which could have helped his campaign considerably. Instead George Bush took the opportunity to try and erase the image many Americans have of him as a follower, not a leader.

Partly to contrast himself with his chief rivals, Mr Dole is stressing his "leadership" capacities. He misses no opportunity to present himself as the engaged politician who, as the minority leader (the top Republican), will, for example, have to help shepherd through the Senate any arms control treaty the President signs. Mr Bush, he slyly points out, will have only a "ceremonial" role in the evolution of US-Soviet relations over the next year.

But just as he emphasises one abstract concept, "leadership," he mocks another. The media, he says, keeps pressing him to express his "vision" of where he will lead America. But, he adds, if he gives them a vision they will shred it and then ask him for something else - his "message" perhaps.

For the moment Mr Dole is able to make light of the question where he would lead America. But as a man who is perceived primarily as a pragmatist who had learned to work with both wings of his party as well as the opposition on Capitol Hill, he is likely to come under increasing pressure to nail down firm positions on a broader range of issues.

He can fairly claim that on one of the burning issues of the day, the federal budget deficit, he has stuck courageously to a course which for years now has won him few friends in the White House.

Yesterday Mr Dole began to stake out some firmer positions which will appeal to Republican conservatives. Echoing President Ronald Reagan he called for a constitutional amendment to balance the budget but without major new tax increases, and for "phased deployment" of the Strategic Defence Initiative "when it's ready".

Mr Dole also made it clear that along with a tough stance on trade policy he intends to make the issue of burden-sharing a central feature of the debate over the relationships amongst the Western allies. If elected president, he said, he would immediately call an Alliance summit "aimed at forging a new formula for burden-sharing. Our allies can afford to pay their share and they should."

One of the architects of the 1982 tax increase, without which the budget deficit would be worse today than it already is, Mr Dole belongs to that mainstream of the Republican Party which has fiscal conservatism as a core belief. His central role on budget issues has been such that few anticipate that the budget negotiators meeting on Capitol Hill for the third week will come to an agreement while he is out of Washington.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	R	17	63	Dubrovnik	F	18	64	Malta	S	23	73	Rhodes	S	17	[illegible]
Algiers	F	22	72	Edinburgh	C	9	48	Manchester	C	8	46	Rio de J'o			
Amsterdam	C	11	52	Faro	C	[illegible]	64	Manila				Rome	F	18	[illegible]
Athens	C	18	[illegible]	Florence	C	16	61	Melbourne	C	17	63	Salzburg	F	7	[illegible]
Bahrain	S	27	81	Frankfurt	C	11	52	Mexico City				San Francisco	C	18	[illegible]
Bangkok	S	33	91	Funchal	C	18	64	Miami	C	25	77	Seoul	S	15	[illegible]
Barcelona	F	17	63	Geneva	C	9	48	Milan	C	10	50	Singapore	F	28	[illegible]
Beirut	R	17	63	Gibraltar	F	18	64	Montreal				Stockholm	F	-3	27
Belfast	C	9	48	Glasgow	C	8	46	Moscow	Sn	-5	23	Strasbourg	C	7	45
Belgrade	C	10	50	Guernsey	C	11	52	Munich	C	13	55	Sydney	R	18	[illegible]
Berlin	C	8	46	Helsinki	S	-1	30	Nairobi				Taipei			
Biarritz	R	13	55	H. Kong	F	24	75	Naples	T	15	59	Tangier	C	18	[illegible]
Bombay	S	33	91	Innsbruck	C	7	45	Nassau				Tel Aviv	S	22	72
Bordeaux	C	13	55	Inverness	C	5	41	New Delhi	S	28	82	Tenerife	F	22	72
Brussels	C	12	54	Islamabad				New York				Tokyo	C	12	[illegible]
Budapest	C	10	50	Istanbul	S	15	59	Nice	C	16	61	Toronto	S	0	[illegible]
B. Aires	R	17	63	Jakarta				Nicosia				Tunis	F	24	75
Cairo	S	23	73	Jersey	C	11	52	Oporto	F	15	59	Valencia	C	18	[illegible]
Cape Town	S	18	64	Jo'burg	F	25	77	Oslo	C	1	34	Venice	R	9	[illegible]
Caracas	C	28	82	Lima				Paris	R	6	43	Vienna	C	1	[illegible]
Casablanca	C	20	68	Lisbon	F	17	63	Peking	S	8	46	Warsaw	F	4	[illegible]
Chicago	C	10	[illegible]	London	Dr	7	45	Prague	C	3	37	Washington	F	15	[illegible]
Cologne	C	6	43	Los Angeles				Reykjavik	F	3	37	Zurich	C	18	[illegible]
Copenhagen	C	9	48	Luxembourg	Fg	4	39								
Corfu	S	19	66	Madrid	F	14	57								
Dallas	F	18	64	Majorca	C	20	68								
Dublin	C	12	54	Malaga	S	20	68								

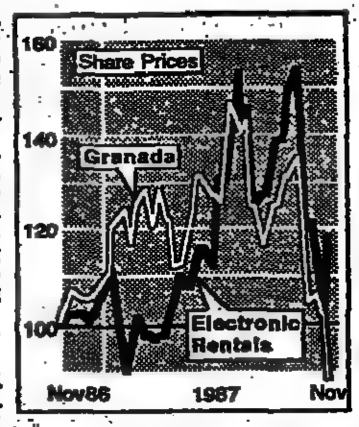
Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

THE LEX COLUMN

Granada takes the plunge

Finance directors up and down Britain might believe that the market crash has thrown up bargains, but it still takes nerve to be first back into the water. Granada's £224m offer for Electronic Rentals is perhaps £120m cheaper than it would have been a month ago. But in marking Granada's shares down by more than 10 per cent yesterday, the market was also conscious that Granada is offering a multiple well above its own to buy a company in a declining market.



The bid, though, is ingeniously structured for troubled times. Offering straight equity is presumably out of the question, if only from the point of view of underwriting. The combination of cash and convertible preference shares gives both liquidity and income, and it is in the nature of a convertible to be less volatile than the underlying share; against a fall in Granada shares of nearly 11 per cent yesterday, the theoretical value of the convertible was down only 6 per cent.

This leaves the bid worth around 72.5p a share, compared with Electronic Rentals' closing price yesterday of 64p. The target, after all, has yet to agree to the offer, and putting together the UK's second and third largest TV rental operators would surely attract the attention of the Monopolies Commission. But there is clear scope for cost saving in combining the two, and Granada would argue that TV and video rental has now merged into the wider market of electronic retailing. And although the contribution from rental would rise to over half of group profits, this is a business with regular cash payments from customers who are unwilling to gear up for outright purchase - not a bad hedge against a recession.

Dollar

The UK equity market seemed unimpressed yesterday both by the Chancellor of the Exchequer's reassurance that the UK could ride out the storm and his proffered carrot of more interest rate cuts, and the FT-SE 100 index fell 55.6 points. Lower interest rates are in any case not much use to share prices. The gilt market was more ready to act on the interest rate hopes - though if the UK economy is not heading for recession such a loosening of monetary policy ought to raise the spectre of inflation.

For its part, the dollar was falling fast and free, unshackled by central bank support either in the market or at the meeting in Basle. The suspicion is growing that the US policymakers' lack of concern about a weak dollar means that far from any urgency in the budget deficit talks, there is almost a desire not to agree. Without a deal by November 20 the $23bn of automatic budget cuts under the Gramm-Rudman legislation will be triggered. A reduction of that size would not satisfy the foreign exchange markets, but it might be easier on the US electorate.

Left to its own devices the dollar has yet further to fall - though predicting where it will land is a pretty pointless exercise. What might bring more pressure to bear on the politicians is a renewed drop on Wall Street, and yesterday's performance was perhaps a hint of worse to come. The US September trade figures are due on Thursday. It can hardly be forgotten that the August statistics were part of the start of the crash.

German market

Those continental European markets which boomed on the back of foreign investment have been crushed by the belief that, in times of trouble, assets and liabilities should reside in the same currency. Ironically it is the least mature markets like Austria and Denmark which have held up best, because of the lack of foreign support. And it is the half-mature, notably West Germany, which have suffered most acutely from failing to stimulate domestic equity demand alongside the foreign influx.

Yesterday's sharp fall in the German market - its second steepest since the collapse began - was an understandable reaction to the fear that there is now no bottom to the dollar. The sectoral effects were also quite rationally distributed with cars - so obviously in the front line of the US wealth effect - taking the brunt, chemicals and banks coming close behind, and utilities outperforming strongly.

But despite the fresh downward revision of earnings estimates, the first-order effects of the crash ought to be less marked on the German economy than most others. The 35 per cent fall of the past three weeks also hit a market which began with little of the froth of the other worst performers. Yet, when the risk-averse domestic investors cannot be persuaded to fill in for the foreigners, despite increasingly attractive yields, market makers will go on marking down prices and doing no business. The sad thing is that prior to the crash domestic investors were just being lured into equities in force. Now, recovery seems destined to lag the markets into which Germany's foreign investors have now retreated.

Bell & Howell

The stock markets may have collapsed, and his portfolio of investments is almost certainly worth considerably less than it was a month ago, but Mr Robert Maxwell appears to have lost none of his interest in both playing the market and establishing Maxwell Communications Corporation as a major force in the US. The latest object of his attention - Bell & Howell - fits more sensibly into his grandiose definition of the communications business than De La Rue, for example. Merrill Publishing is the biggest elementary and high school science book publisher in the US and would slot neatly into Pergamon's range of scientific publications, whilst Bell & Howell's United Microforms International is already microfilming Pergamon's technical journals.

Bell & Howell's recent record has been lacklustre and its chief executive is close to retirement, all of which has revived the interest of the shell-shocked US arbitrage community and has set it doing its sums afresh on the basis of a breakup value of over $700m. The wealthy Bass family of Texas, the biggest shareholder, does not mount hostile takeover bids but MacMillan Inc, another large shareholder, could try to block Mr Maxwell's ambitions in order to assure its own independence.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Tuesday November 10 1987

Toyota to add engine facility to plant in US

BY ANATOLE KALETSKY IN NEW YORK

TOYOTA, the leading Japanese car manufacturer, yesterday said it would add a $300m engine and transmission plant to the $800m car assembly operation which it is already constructing in the US.

The company's decision to produce engines is the latest such move by a large Japanese motor manufacturer as Japan's domestic cost advantages are eroded by the rising yen and access to the US market continues to be threatened by the possibility of protectionist legislation in Washington.

By the early 1990s, when the newly announced engine, axle and steering plants are producing at full capacity of 200,000 units annually, the US content of Toyotas assembled in the US will have risen to 75 per cent, the company said.

Toyota, generally thought to be the lowest-cost producer in the Japanese car industry, has so far been slower to invest in overseas manufacturing capacity than its main domestic rivals.

The company's car assembly plant, which is already under construction in Georgetown, Kentucky, will have a capacity of only 200,000 cars a year when it reaches full production in 1989 or 1990.

Even with the engine plant announced yesterday, this represents a much more limited commitment to US manufacturing than that of Toyota's smaller Japanese rivals.

Honda, the most aggressive of the Japanese carmakers in terms of overseas expansion, produces 320,000 cars a year in the US and has declared that it intends to become essentially a US domestic producer by the 1990s.

In September, Honda began to build a second assembly plant in Ohio designed to bring production to 500,000 by 1990. This compares with Honda's current sales of about 750,000 in the US market.

In contrast, Toyota is expected to sell about 900,000 cars in the US this year. The company looks like remaining predominantly an importer of cars from Japan for the foreseeable future – even taking into account the 80,000 units it assembles in California in a joint venture with General Motors and the 50,000 cars it will soon start producing at a new plant in Canada.

Cannon resolves accounting dispute

By James Buchan in New York

CANNON GROUP, the controversial film production and distribution company under the control of Mr Menahem Golan and Mr Yoram Globus, yesterday emerged all but unscathed from a long-running dispute with the Securities and Exchange Commission (SEC) over its accounting practices.

The Los Angeles group, which has deftly averted financial disaster despite heavy losses and burdensome debts, said it had reached agreement with the SEC to settle the federal agency's year-long investigation of Cannon's accounting practices.

Under the terms of the settlement, Cannon is not required to submit to management changes or make further accounting adjustments. But the group agreed to ask its auditors to conduct a special review of its internal accounting procedures.

The deal with the SEC could theoretically re-open access to the US capital markets for the sorely strained group. Cannon's depressed stock was one of the few rising shares in yesterday's market, adding $¼ to $3¾ in early trading.

The SEC complaint, which Cannon and its officers do not admit or deny, questions whether the group was prudent in accounting for future film revenues.

But last year, Cannon moved to accommodate the SEC by hiring the firm of Arthur Young to conduct an independent audit. This review restated the group's $5.8m loss in 1986 to a $60.4m loss.

Last month, Cannon averted a severe cash crisis through agreement to sell its worldwide real estate to a group controlled by a major shareholder, a Luxembourg company called Interpart.

Robert Gibbens on the outlook for Canada's forest products groups

Timber industry on alert for recession

CANADIAN forest products companies, after nearly five years of strong recovery from the days of penury in 1982, are watching for signs of a recession which may come in 1989 after the US presidential elections.

The industry, notorious for the cyclical swings in its fortunes, has seen two years of quarterly increases in world pulp prices and a recovery in newsprint and other commodity products to around the 1981 highs.

The industry was caught with an enormous debt burden when the last downturn came in 1981/82 after a period of expansion. This created a crucial leverage position among the major companies.

First lumber began to recover, interest rates declined and North American housing starts moved up. Then pulp and paper prices and shipments began to take off in 1985 and the publicly-traded companies saw their shares begin a long climb which lasted without interruption until the October 19 meltdown.

On average, the Canadian forest products stocks have lost between 20 and 30 per cent of their market value, but ironically, the companies in the past few days have been reporting that their mills have been running flat out with strong North American, Asian and European demand helped by the lower US dollar.

Profits have doubled and, in some cases, trebled from year to year.

MacMillan Bloedel, controlled by Noranda, and the country's largest and most diversified forest products company with plants in western Canada, in the East and in the US, has set the tone.

Its business is divided between pulp and paper (40 per cent), building materials (40 per cent) and packaging materials (20 per cent).

It markets internationally and, for instance, operates its own lumber distribution company in Japan.

In the first nine months, it earned C$217.7m (US$166.2m), or C$1.99 a share, up from C$110m, or 91 cents, a year earlier, on sales of C$2.3bn compared with C$2bn. Third-quarter profits equalled 77 cents a share, compared with 25 cents.

Operating profit before interest expenses rose steadily through each of the first three quarters and the fourth-quarter will again be very strong. The company had a 25 per cent return on equity in the third-quarter.

In 1982, at the bottom of the recession, MacMillan lost C$93.3m, before special items, on sales of C$1.8bn. Debt was then around C$1bn and a severe burden. By the end of this year, total debt will be below 30 per cent of invested capital.

Mr Glenn Ferguson, company treasurer, said that results for the fourth-quarter will be very good and demand for most forest products will be strong in 1988, with the US elections coming up.

The lower US dollar will favour MacMillan's growing export business, especially timber and pulp and paper, helping to offset any decline in North American housing starts.

"But we are positioning ourselves for a possible recession in 1989 and we should see signs in the next three to six months whether the slowdown is coming," said Mr Ferguson.

Meanwhile, MacMillan is staying away from megaprojects, while continuing modernisation and product upgrading projects, each involving a maximum of C$50m in capital outlays. "This way we can pull back quickly, if needed, but we'll go on looking for acquisitions to broaden our earnings base, especially in the US, Asia and some parts of Europe.

"And we're ready this time for a period of serious currency volatility," Mr Ferguson said.

Royal Bank of Canada may buy broker

By Robert Gibbens in Montreal

THE ROYAL Bank of Canada is holding talks with Dominion Securities and other Canadian investment dealers, but will make a brokerage acquisition only at the right time and price, according to Mr Allan Taylor, company chairman.

The Royal is the last of the five largest Canadian chartered banks to link up with a broker and investment dealer. It has negotiated several times with Wood Gundy in the past year.

Wood Gundy has agreed to sell a 35 per cent interest to First National Bank of Chicago but the deal is in jeopardy because of the stock market crisis.

Mr Taylor denied reports that his bank is negotiating again with Wood Gundy.

Dresser Industries holds merger talks

BY NICK GARNETT IN LONDON

DRESSER INDUSTRIES, the diversified US engineering group, has been in detailed negotiations with Orenstein & Koppel of West Germany to merge some of the two companies' earthmoving machinery businesses.

The talks are understood to have included a range of possibilities, from joint marketing arrangements to the purchase by Texas-based Dresser of some of O&K's operations.

The West German company played down the significance of the talks. It said that negotiations of this type were frequently held among companies in the heavily-saturated market for construction equipment and they rarely came to anything.

The two companies had on-off collaborative discussions three years ago, and Volvo of Sweden and the US company, Clark, tried to woo O&K two years ago when they were forming the joint VME construction machinery business.

Dresser was more positive on the latest talks with O&K, which have been the source of speculation in the industry for the past month.

"We might have something to say in a few days," Dresser said. "It would be premature for us to comment on this now."

Dresser had sales last year of $500m in construction machinery and $400m in mining equipment out of its overall sales of $3.7bn.

O&K had sales of DM1.78bn ($1bn) last year but was only marginally in profit. Its products include the big dump trucks made by Faun, a West German company it purchased in 1985.

Timeplex bought by Unisys for $300m

BY RODERICK ORAM IN NEW YORK

TIMEPLEX, a leading supplier of equipment for digital communications networks, has agreed to be taken over by Unisys, the US computer group formed by the merger last year of Burroughs and Sperry.

Unisys is offering one of its shares, worth about $31 yesterday, for each of Timeplex's 10m shares, in a deal worth just over $300m. Timeplex's share rose $1⅛ in early trading to $28⅞.

The New Jersey-based company will become the core of a new subsidiary called Unisys Networks, which will build and maintain systems for transmitting digital voice, data and video signals.

The acquisition, the first since the merger, launches Unisys into "one of the fastest-growing and most strategically important segments of our industry," Mr Michael Blumenthal, Unisys's chairman, said.

Timeplex is particularly strong in equipment for managing transmissions over high-speed private communications systems, known as T-1 networks.

"Because network management is increasingly viewed as a vital data processing system application, this capability will positively affect sales of computer systems, networks and integrated complex systems," Mr Blumenthal added.

Tariff reductions have improved the economics of T-1 networks among large corporations and organisations which generate high volumes of data and voice traffic.

Times Media rises 289% in first-half

BY ANTHONY ROBINSON IN JOHANNESBURG

TIMES MEDIA, the re-structured English-language newspaper and publishing company, formerly known as South African Associated Newspapers (SAAN), reported a 289 per cent rise in first-half profits on turnover up 23 per cent at R84.6m ($24.9m).

The rise in profits before extraordinary items to R14.2m, from R3.6m in the equivalent six-month period which ended in September 1986, translated into a rise to 705 cents in earnings per share, from 182 cents.

The company has been transformed over the past two years through the closure of such loss-making newspapers as the Rand Daily Mail and disposal of assets.

SAAN recorded losses of R21m in 1986 and R6.3m in 1985. The previous high level of losses and consequent tax losses were reflected in a zero tax charge on current profits.

The group has declared an interim dividend of 100 cents a share after passing the interim last year. The directors say: "The group has moved from a highly-geared position to one where there are no borrowings and total liabilities represent 61 per cent of shareholders' funds."

They sounded a warning about the unpredictable impact of the recent stock market collapse and noted that second-half profits were always adversely affected by traditionally-low revenues in the December to February months.

INTL. COMPANIES & FINANCE

Suez bourse debut leaves shares at heavy discount

BY GEORGE GRAHAM IN PARIS

SUEZ, the newly privatised French investment and banking group, finally made its debut on the Paris stock market with a drop of 18 per cent from its offer price.

Over 1.9m shares, nearly 8 per cent of the group's capital, changed hands yesterday at FFr261 ($45.8) each, compared with the issue price, fixed on October 1, of FFr317.

The company is the first French privatisation not to open at a premium to its offer price, and could damage the confidence of its 1.6m new shareholders.

The French finance ministry had first put off the start of dealings in Suez shares and then tried to discourage shareholders from selling by allowing them to delay half of their payments for a year.

Officials yesterday were taking comfort from the fact that Suez's share price had fallen less than the market. Over the same period the CAC index has dropped by 29 per cent.

But some dealers were critical of the decision of Mr Edouard Balladur, the finance minister, to delay dealings, originally due to open on October 29.

"It is just like the Hong Kong authorities closing their stock exchange down during the crash. If you delay it you just make matters worse," commented one broker.

Since there has been no active grey market in Suez - London dealers stopped quoting prices when stock markets began to crash - institutions have been unable to unload any of their holdings of Suez shares.

Foreign institutions, who did not qualify for the split payment, were understood to have been particularly heavy sellers yesterday.

The French markets were also shaken yesterday by doubts over whether Mr Balladur would press ahead with the privatisation of UAP, the largest French insurance company, originally expected to be floated in December.

Official denials of a radio report that the minister had decided to put off the privatisation were interpreted by many dealers as a decision to go ahead at all costs. Officials later explained that no decision, either way, had been taken.

But Yves St Laurent, the French couture house, yesterday decided to put off its stock market flotation, originally scheduled for December 4.

Profits soar at Norsk Hydro

BY KAREN FOSSLI IN OSLO

NORSK HYDRO, Norway's largest publicly quoted company which has interests in fertilisers, petrochemicals, metals and oil and gas, increased pre-tax profits four-fold to NKr991m ($153.4m) in the third quarter of 1987.

Net income for the period reached NKr326m or NKr3.80 a share, compared with NKr33m or NKr0.40 in the same period in 1986. Operating income was NKr996m, a NKr500m increase over the third quarter of 1986.

Norsk Hydro attributed the good result to improvements in the agricultural, light metals and petrochemicals divisions. Agricultural operating income was favourably influenced by the sale of industrial gas activities in Sweden and Finland, the company said. Norsk Hydro realised a net profit of NKr214m on the disposal.

Mr Odd Gullberg, director of information, said that traditionally the third quarter is the weakest due to seasonally low demand for fertilisers and oil and gas. He said, however: "We are very satisfied with the outcome of this third quarter".

Norsk Hydro's board will decide today whether or not to go ahead with its NKr3bn rights issue, the biggest rights offer seen in the Nordic region. The group has the option to postpone the share issue until end-June 1988. Yesterday the shares fell some 15 per cent despite the strong results.

The agricultural division achieved third-quarter operating income of NKr334m, against NKr90m. Norsk Hydro said, however, that because of weak fertiliser prices, profitibility was far from satisfactory.

Oil and gas operating income fell to NKr138m from NKr421m due to lower gas prices and losses incurred by refining and marketing activities. Light metals increased operating income by NKr116m to NKr337m due to high metal prices and strong trading activities.

The petrochemicals division also performed strongly, reversing earlier losses. Operating income for the third quarter was NKr238m, compared with a loss of NKr25m.

Norsk Hydro realised third-quarter foreign exchange gains of NKr9m.

Moulinex sees break-even by end of year

By Our Paris Staff

MOULINEX, the troubled French kitchen equipment manufacturer, should be breaking even by the end of the year and hopes to make a profit in 1988, Mr Roland Darneau, its new managing director, said yesterday.

Mr Darneau said he was sticking to his forecast of a FFr42m ($7.37M) loss this year, after losing FFr62m in the first half of the year. Sales were recovering now, however, and in some sectors, such as irons and coffee machines, the group was having to work overtime to meet demand.

Sales in France, badly hit by the introduction at the start of the year of a new commercial policy which was resented by retailers, were still 28 per cent lower at the end of September than in the same period of 1986. Export sales were 8 per cent higher, however, leaving total group turnover only 7 per cent down, compared with 11 per cent down at the end of June.

Mr Darneau said that the group was seeking financial partners, but these would be likely to take shares not in Moulinex itself, but in Finap, the holding company of the group's founder, Mr Jean Mantelet.

This would preserve the 42 per cent controlling stake - which with double voting rights holds more than 50 per cent of the votes - which Mr Darneau said protected Moulinex from takeover.

Paribas has gain in first half but warns on outlook

BY OUR PARIS STAFF

PARIBAS, the recently-privatised French banking group, raised profits by 5 per cent in the first half but warned that its second-half results could be hit by the recent fall in stock markets.

Net profits in the first half rose to FFr973m ($170.7m), excluding minorities, and the group hopes profits for the full year will be at least equal to 1986's FFr1.68bn.

Operating earnings rose by 42 per cent to FFr690m, resulting from improved returns from main operating subsidiaries and from lower financial costs due to the group's reduced borrowings.

Paribas realised only FFr283m of capital gains in the six months, however, a drop of 36 per cent from the same period of 1986 which concentrated three-quarters of the group's capital gains for the year.

The company warned that its net asset value had slid from FFr480 a share at the end of June to FFr440 a share at the end of October, even though most of this loss affects unrealised capital gains rather than losses on book value which would have to be provided for at the end of the year.

The increased first-half profits follow a 63 per cent rise in bad debt provisions to FFr3.88bn, including around FFr1.5bn of provisions for sovereign debtor risk.

The group's stock of provisions covered an average of over 30 per cent of its lending exposure in risk countries, which Paribas said put it on the same level as other major international banks.

The sizeable increase follows provisioning efforts from the large US and UK banks, but the other large French banks, which have already built up cover of 35 to 40 per cent of their exposure, slowed down their provisions in the first half of this year.

A change in accounting practice for swaps operations at Banque Paribas, the group's main banking subsidiary, produced an exceptional net gain of FFr712m at the start of the year and an increase in gross operating profits of FFr400m over the course of the first half.

Bugge sacks chief executive

By Our Oslo Correspondent

BUGGE EIENDOM, the troubled Norwegian property company, has dismissed Mr Niels A. B. Bugge, its managing director and major shareholder. Mr Arild Nedrum, another board member and second largest shareholder, has also been sacked. Mr Frode Aarum, also a shareholder, has been appointed managing director.

The company has run into liquidity problems following delays in subscription payments for its NKr155m ($24m) rights issue. Bugge owes Norwegian creditors, including Christiania Bank, Bergen Bank, Fiananshuset and Storebrand between NKr1.3bn and NKr1.4bn. It also has an outstanding UK debt of NKr200m. Its creditors have now given the company a four-week grace period.

Mr Aarum said the company was looking at possible refinancing and asset sales and that merger talks with an undisclosed company were still underway. However, problems with creditors are also compounded by problems with the major three shareholders, he said.

Observers say Bugge will be hard pressed to honour its loans because too much has been secured by Norwegian stocks which have "nose-dived."

In the UK, Bugge owns property valued at NKr325.7m. In August it bought Baxhor Trading, which brought with it property at London Bridge, Heathrow and Manchester. In February, Bugge purchased 71.7 per cent of Jackson Bourne End, a quoted shoe components and property business.

Italians jockey for control of ERT

By David White in Madrid

THE BATTLE for positions in Spain's chemical industry following substantial Kuwaiti-backed share purchases has taken a fresh turn with a reported plan by Italian interests to assume the main shareholding in Union Explosivos Rio Tinto (ERT), the principal company in the sector.

Madrid newspapers indicated that the planned shareholding by Interpart, a Luxembourg-registered holding unit headed by Mr Giancarlo Parretti, the Italian businessman, would come from an ERT capital increase and from the purchase of part of the 20 per cent stake currently held by Torras Hostench, the company used as an investment vehicle by the Kuwait Investment Office.

Torras Hostench first bought into ERT in July and later took a similar stake in Cros, the rival Barcelona-based group.

Mr Jose Maria Escondrillas, ERT's chairman, has opposed plans put forward by Torras Hostench which would deprive ERT of control over a new joint company due to be formed with Cros in the fertiliser sector under a government-backed reorganisation programme.

The latest Torras proposal currently under discussion would involve splitting off ERT's fertiliser division and giving Cros control over the new company, Fosforico Espanol.

The flamboyant Mr Parretti's reported attempt to come to the aid of Mr Escondrillas was initially greeted with some scepticism in Madrid business circles.

Mr Parretti has made a big impact since the beginning of this year with the acquisition and subsequent sale of a hotel chain, takeover of the Renta Inmobiliaria real estate concern, and, according to reports, the recent purchase of a 2.5 per cent stake in Banco Espanol de Credito.

A capital increase at ERT has already been authorised by shareholders in order to pay off part of the group's outstanding debts.

Brown Boveri amends issue

By John Wicks in Zurich

BROWN BOVERI, the Swiss engineering company which is to merge with Asea of Sweden, is to change the terms of its planned rights issue because of the "continuing exceptional situation in the equity markets."

The capital increase plan will now not include a further issue of participation certificates. Instead, holders of these non-voting equities will have the right to subscribe to bearer or registered shares.

The company points out that as a result of the recent stock market crash, investors have become unwilling to buy participation certificates.

For this reason, the intended drawing-rights offer for new certificates has been dropped. A similar rights issue of registered and bearer shares will, subject to shareholder approval, go ahead as planned.

Fletcher bid for NZFP blocked

BY CHRIS SHERWELL IN SYDNEY

FLETCHER CHALLENGE, New Zealand's largest company, was last night considering its options after the Commerce Commission turned down an application to take over its major competitor, NZ Forest Products.

Had the country's anti-trust agency given the go-ahead, the takeover would have been New Zealand's largest ever, and would have produced a forest products group of global stature.

As it is, the decision, coming in the wake of New Zealand's stock market collapse, throws wide open the future relationship between Fletcher, NZFP and Rada, an investment group.

Fletcher, a local conglomerate with international interests in forest industries, currently has 17.4 per cent of NZFP and was to have acquired another 12 per cent from the AMP Society, the leading Australian institution, if the Commerce Commission had approved the takeover.

Rada owns 44 per cent of NZFP, part of which came from Amcor, the Australian group whose own bid for NZFP was also rejected earlier this year.

NZFP, whose main interests also lie in forestry and forest industries, has a cross-holding of 25 per cent in Rada. The assumption was that Rada would have sold out to Fletcher if the deal was permitted.

Fletcher applied to the commission for permission both to increase its stake in NZFP to 35 per cent and to 100 per cent, and put forward proposals to ensure an open market in key areas.

The commission, in handing down its decision last Friday, rejected the proposals to counter potential market dominance. The merged concern, it argued, would dominate the log use market, the manufacture of kraft pulp, and would become the country's sole producer of computer and photocopier paper.

On the face of it, Fletcher's options now are to sit where it is, to appeal to the High Court against the commission's decision, and to enter into negotiations with Rada.

Signs of the course it will follow may emerge today when Fletcher holds its annual meeting in Auckland, a year after first announcing its assault on NZFP.

● The Commerce Commission said yesterday it would conduct an extended investigation into a Brierley Investments (BIL) application to buy full control of Petrocorp, the state-controlled energy group, Reuter adds from Wellington.

The commission said the proposal could not be cleared immediately because it raised important competition issues. It is concerned about competition in the wholesale and retail markets for natural gas.

BIL already has a monopoly in retail gas distribution in the Wellington, Auckland and East Coast regions through Welgas Holdings, the commission said. Petrocorp is also a gas franchise holder at the retail level and directly supplies several major industrial users.

BIL bought 15 per cent of Petrocorp earlier this year. A further 15 per cent was floated to the public in August, and the Government has said it plans to sell the remainder by tender. Bids closed last Friday.

Japanese textile groups stage recovery

BY CARLA RAPOPORT IN TOKYO

JAPAN'S leading textile manufacturers staged a marked recovery in the six months to September thanks to rigorous cost-cutting measures, cheaper imports and better prices for natural and synthetic fibres.

Teijin, the largest of the companies reporting unconsolidated interim figures yesterday, said its pre-tax profits jumped 40 per cent from a year earlier to Y16bn ($118.2m) even though sales dropped by 12 per cent to Y155bn.

In addition to cutting costs, Teijin boosted profits by Y700m in the period as a result of financial deals, known in Japan as *zaitech*. Textile companies, like many other exporting sectors hit by the high yen, have been using *zaitech* instead of investing in their own businesses. This is largely because of the strength of the financial markets until very recently.

The appreciation of the yen in the period helped to push down Teijin's textile sales by 14 per cent.

Teijin, which is rapidly increasing its research and development spending on pharmaceuticals, predicts that full-year pre-tax profits will jump to Y32bn from Y25.1bn on sales of Y310bn against Y340bn.

Toyobo, a leading spinning company, also reported a sharp leap in profits to Y6.2bn, thanks to cost-cutting efforts and increased earnings from *zaitech*. Sales were Y145.8bn in the period, which is not directly comparable with 1986 because of a change in year-end. The company said that cotton yarn and other textile product sales grew steadily as a result of a recovery in natural fibre prices.

For the full year the company expects profits to increase to Y12bn on sales of Y295bn.

Despite the effects of the strong yen on its exports, Unitika, a leading textile maker, said that profits in the six months recovered to Y1.9bn from Y842m last year. Sales dropped 2.4 per cent in the period to Y120bn. The company said the improvement was largely the result of rationalisation efforts and reduced inventories.

In the full year, the company expects profits to reach Y6bn against Y1.8bn and sales to touch Y250bn compared with Y244bn.

Mitsubishi Rayon and Kuraray also showed profit increases yesterday, on the back of a recovery in the synthetic fibre markets and *zaitech* gains in the period. Mitsubishi Rayon boosted pre-tax profits by 22.8 per cent to Y3.8bn, as sales inched ahead by 1.1 per cent to Y94.6bn.

Kuraray's profits at the pre-tax level jumped by 52 per cent to Y2.2bn. Sales rose by 3.3 per cent to Y96bn.

Further sharp rise by Premier Group

BY ANTHONY ROBINSON IN JOHANNESBURG

PREMIER GROUP, the diversified South African food and milling group, yesterday reported a further 66 per cent rise in pre-tax profits to R88.6m ($45.1m) in the six months to September after a record 75.3 per cent jump in the year to March.

Mr Tony Bloom, the chairman, who declared a higher interim dividend of 50 cents per share compared with 36 cents last time, predicted a further strong performance over the rest of the year "unless there is a material downtrend in consumer spending."

Uncertainty engendered by the stock market collapse has meanwhile induced the board to delay a final decision on the proposed separate listing of the company's food interests. A final decision will be made subject to market conditions prevailing in the new year.

Interim turnover rose by 19 per cent to R1.52bn from R1.27bn to produce a 36 per cent higher trading profit of R97.3m compared with R71.7m in the same period last year. Net earnings rose by 55 per cent to R52.9m from R34.1m – on a per-share basis the gain was somewhat more muted with an outcome of 104.9 cents against 70.9 cents.

All the trading companies in the group contributed to the improved performance, especially the core food businesses which the group proposes to hive off into a separate quoted company to be called Premier Foods.

A 32 per cent reported increase in earnings by South African Breweries in the first half contributed to the rise in dividend income to R16.3m from R14.8m and a rise in the share of retained earnings of associated companies to R25.9m from R17.8m. Premier is indirectly controlled by Anglo American Corporation, the country's biggest mining house.

● Nampak, the Barlow Rand group's packaging arm, increased real sales by 6.2 per cent in the year to September, as demand improved and the company increased its market penetration, Jim Jones adds.

Consolidated turnover, which includes sales by the Metal Box subsidiary, rose to R2.07bn, from R1.73bn, and pre-tax profits were R231.4m compared with R159.7m.

The year's dividend has been raised to 100 cents a share, from 79 cents, on net earnings which increased to 228 cents a share from 174 cents.

Malayan Banking doubles earnings

By Wong Sulong in Kuala Lumpur

MALAYAN BANKING, Malaysia's largest local banking group, has reported a 105 per cent increase in pre-tax profits to 169.9m ringgit (US$64.4m) for the year to June.

Its results add substance to the view that the worst is over for Malaysia's banking industry, which was hit badly by the 1984-86 recession and the collapse of the share and property markets.

Stressing this in a speech to a banking conference over the weekend, Tan Sri Jaffar Hussein, governor of Bank Negara, the central bank, said that for the first half of this year, profit among the country's top six local banks had increased by about 30 per cent.

At Malayan Banking, earnings after tax were, however, only 10.4 per cent higher at 57.8m ringgit. It is paying a final dividend of 11.5 cents, making an unchanged 18 cents.

The group also had an extraordinary profit of 17.7m ringgit, arising from the sale of premises in Hong Kong.

The bank itself performed better than the group as a whole, recording an after-tax profit of 47.8m ringgit, an increase of 28.5 per cent.

Kwong Yik Bank, the group's 52 per cent-owned subsidiary, suffered a loss of 4.6m ringgit compared with a profit of 8.7m ringgit previously. Aseambankers, a 50.5 per cent-owned merchant bank, saw profits decline by 14 per cent to 7.6m ringgit.

Total deposits for the group rose by 14 per cent to 16.6bn ringgit, but loans were flat at 10.6bn ringgit.

By no means all banks have yet achieved a full recovery, though. United Asian Bank, the country's fifth largest local bank, has reported an after-tax loss of 350m ringgit for the 1986 year on top of a 140m ringgit loss for 1984 and 1985.

The losses of the past three years were attributed largely to write-offs of bad loans made during the early 1980s.

Tan Sri Radin Soenardo, the newly appointed UAB chairman, disclosed that the bank was seeking to raise 228.7m ringgit through a one-for-one rights issue to restore its capital adequacy ratio.

The accumulated losses had depleted shareholders' funds to a negative net worth of 185m ringgit. Part of the proceeds from the rights would also go towards repaying a 200m ringgit loan.

UAB was taken over by Bank Negara earlier this year when it injected 135.5m ringgit to buy a 59.2 per cent stake.

Three Indian "promoter" banks, whose stake in UAB was reduced from 33 per cent to 11 per cent as a result of the Bank Negara takeover, are not expected to take up their entitlement in the latest rights issue and this will reduce their involvement further to 5.5 per cent.

UAB was set up in 1973 through the merger of the Malaysian branches of the three Indian banks which were nationalised by the New Delhi Government. Malaysian law does not allow foreign government-controlled banks to hold majority stakes in local banks.

At last December, UAB's total assets had fallen by 28 per cent to 2bn ringgit, while loans and advances were down by 22 per cent to 1.4bn ringgit.

Central Norseman Gold forecasts lower profits

BY OUR FINANCIAL STAFF

CENTRAL NORSEMAN Gold, a medium-sized Australian producer, has warned of a sharp decline in near-term profitability as a result of a fall-off in output.

Mr Hugh Morgan, the chairman, told the annual meeting in Melbourne that net profits in the current six months to December were expected to be more than halved from the A$12.62m (US$8.62m) acheived a year earlier.

He added that a substantial, though unspecified, recovery was foreseen in the second six months because of prevailing gold prices and improved operations.

● MIM Holdings and Noranda of Canada have joined Tolltreck Systems, a base metal refiner and fabricator, in a venture to build a precious metals refinery in Australia to produce gold and silver bullion from residues and scrap.

Pacific Precious Metals is owned 40 per cent by Tolltreck and 30 per cent each by the two larger companies. The refinery would come into operation around the end of 1988, with an annual base-load capacity of 4 tonnes of gold and 25 tonnes of silver.

● Rheem Australia, an appliances, packaging and engineering company which is 60 per cent owned by Broken Hill Proprietary, is to acquire the North American steel and plastic container activities of Rheem Manufacturing, its US former parent.

First loss for Makino Milling

BY IAN RODGER IN TOKYO

MAKINO MILLING, a leading Japanese machine tool builder, has suffered its first loss since listing its shares in 1964, and the directors have decided to pass the interim dividend.

Sales tumbled 14.9 per cent to Y18.1bn ($133.8m) in the six months to September because of the combined effect of a slump in plant investment by Japanese manufacturers early this year and export restraint. Japanese machine tool builders voluntarily agreed last year to reduce exports to the US.

These declines plus a Y1.3bn exchange loss resulted in a pre-tax loss of Y1.7bn in the first half compared with a profit of Y1.02bn in the same period of last year.

Makino said its results were also affected by higher development costs associated with the introduction of new products.

The company expects some recovery in the second half. It said orders received in August showed the first year-on-year rise in 22 months. However, a pre-tax loss of Y1bn is forecast for the full year.

Although the interim dividend is being omitted (last year it was Y2.5 per share), the directors plan to pay an unchanged final dividend of Y5 a share.

● Pre-tax profits of Sumitomo Electric Industries, Japan's leading electric cable maker, rose by 2.9 per cent to Y10.4bn in the six months to September, in spite of a 1.1 per cent drop in sales to Y258.3bn.

The company said the dip in sales was due to a fall in overseas orders and to lower sales of powdered alloys to shipbuilders and steelmakers. Electric cable sales were flat while those of electronic materials and other products rose.

Net profits were up by 7.8 per cent to Y6.2bn and earnings per share were 5.5 per cent higher at Y9.39.

The company has revised upward its profit projection for the full year, from Y22bn to Y24bn, as it expects to benefit from government measures to stimulate the economy.

Sweden is grappling with options malpractice, reports Sara Webb

Bank board casts a wider net

MR HANS LOWBEER, director-general of Sweden's Bank Inspection Board, had a taste of what his new job would be like the first day he arrived in the office and found that he had to investigate how SKr50m ($8.3m) from an insurance company had ended up in a private bank account instead of at its proper destination.

"I forget the details now ... there have been so many crimes since then," he says, rather abstractedly. For since that rather inauspicious start in July 1986 as watchdog for the Swedish financial markets, he has had a multitude of cases to investigate, covering computer frauds, insider trading, colossal losses in options trading, and various other securities and banking malpractices.

This may mean a more interesting job for Mr Lowbeer, but is it indicative of increased corruption or a disturbing level of negligence in the Swedish financial markets?

Mr Lowbeer initially preferred to think it was coincidence rather than a disturbing trend, but he is far less certain of that today. The advent of new technology, new financial instruments and a deregulated market have opened the door to unethical practices and crime. The Bank Inspection Board has already appealed to the Government for more resources to help monitor the markets.

What Sweden needs now, Mr Lowbeer says, are rules to stop the use of options as gambling instruments and tighter control over insider trading, as well as much stricter observance of the existing regulations covering the markets.

Options are relatively new instruments in Sweden. The first options market, called OM, started up in June 1985. Its rival, known as SOFE (Sweden's Options and Futures Exchange), was launched in March 1987, partly to introduce price competition.

"We are very content with the way the two markets operate," says Mr Lowbeer. "The problem is when people start to use options for speculating rather than as instruments for hedging and spreading risks. The responsibility lies with the brokers and customers."

Sweden has experienced more than its fair share of scandals based on the options market in recent months:

- By far the most serious case among the banks and brokerages is that of Gotabanken, Sweden's fourth largest publicly quoted commercial bank, which reported a loss of SKr300m from index options trading over the weekend. This is expected to take its toll on 1987 results, reducing profits (after financial items) to SKr300m against last year's figure of SKr600m;
- A junior employee of the Stockholm Municipal Government frittered away several million kroner on futures and options;
- At Svenska Handelsbanken, the third largest commercial bank, two employees were fired last month for illegal options trading which could involve losses of up to SKr100m for the bank;
- At Civic Fondkommission, a brokerage which last week lost its licence for a long catalogue of misdemeanours, the dealers did not ask for collateral when a former employee placed an options order with them - and as a result, Civic has had to bear losses of about SKr30m;
- At Ostgota Enskilda Bank, dealers did not ask clients to increase collateral when they should have done so - with the result that the bank has incurred losses on options trading of about SKr30m.

"We are now looking at how we can regulate this market, either with legislation or recommendations, so that options can only be used as hedging instruments," says Mr Lowbeer. In the meantime, the Bank Inspection Board has asked all the banks and brokers to provide information about their exposure in the options market.

The other main problem area, as far as the Bank Inspection Board is concerned, is insider trading. It has had to investigate several cases of suspicious share price movements which have taken place immediately before takeovers, suggesting that people within the companies concerned were using inside information for share trading.

Mr Hans Lowbeer, director general of the Bank Inspection Board

Until quite recently, Swedish regulations covering insiders in takeover situations were considered to be rather weak. They laid down only that it was illegal for insiders in both bidding and target companies to trade in their company's shares, once the decision to go ahead with a takeover bid had been taken by the board.

In an effort to crack down on insiders, new legislation came into force this summer. Restrictions on trading were revised so as to apply to the period when the companies first start discussions about a possible takeover.

But Mr Lowbeer believes that the net has still not been thrown wide enough. A preliminary study into the extent of self-regulation among fund managers revealed a disconcerting lack of discipline.

So Mr Lowbeer is keen to bring to heel the portfolio managers at the big insurance and investment companies, as well as financial journalists who have access to such information.

"We should move towards the American and European way of thinking here and say that it is illegal for anyone who has access to secret information to use it for their financial benefit before it is made public."

Since the deregulation of the Swedish markets in the 1980s and the introduction of new financial instruments and electronic information, the opportunities for crime have multiplied and many of the players have failed to realise the higher risks involved.

It is up to the banks to make sure that their internal controls are effective and that the back office work does not lag behind, says Mr Lowbeer. At the same time, he feels that the players in the market have had more than adequate warning from the Banking Inspectorate that it means to punish those who do not strictly observe the rules.

When the Banking Inspectorate last week revoked Civic's brokerage licence, one of the reasons given was that Civic did not separate clients' holdings of shares from its own.

Civic's managing director claimed that most brokers in Sweden behave in a similar fashion, to which Mr Lowbeer retorted: "He is probably right, but we have to set a standard and we shall be intensifying our control over the brokerages in future. You cannot escape punishment by pointing at all the other guilty ones."

Cofide share purchases

By Our Financial Staff

COFIDE, the holding company of Mr Carlo De Benedetti, the Italian entrepreneur and head of Olivetti, has acquired major new shareholders. The company said Generali, Italy's largest insurance group, has acquired a 3 per cent stake and the Pirelli tyre company has taken a 5 per cent interest.

Banks reject Fouad debt offer

A GROUP of four banks suing Abdulla Fouad and Sons, the Saudi construction and trading group, for 131.2m riyals ($35m) in Saudi Arabia has turned down an out-of-court offer to reschedule payments, Reuter reports from Bahrain.

Bankers based in the Gulf said Abdulla Fouad had offered a multi-faceted deal which involved stretching out payments on its debt over a 12-year period with no down-payment.

The attempt to negotiate a settlement out of court was acknowledged by bankers, but one described the offer as "woefully unreasonable."

The company, based in Dammam on the Saudi east coast, confirmed that the offer had been made to the banks and said the repayments schedule matched its ability to pay.

The four banks, Citibank, Bank of America, Arab Banking Corporation (ABC) and Bank of Bahrain and Kuwait (BBK), filed the case in a Dammam court in March to reclaim debts secured by promissory notes.

Bankers have described the suit as a test case for banks, whose attempts to recoup debts through the Saudi legal system have so far been largely frustrated.

The Dammam court, the Negotiable Instruments Committee, held its fifth hearing on the case on Sunday.

Portugal in moves to stabilise markets

By Peter Wise in Lisbon

THE PORTUGUESE Government has announced radical measures to bring stability to the country's volatile stock markets, where share prices have fallen more than 30 per cent over the past month while the volume of trading has dropped by half.

Mr Miguel Cadilhe, the Finance Minister, has announced that the daily 5 per cent limit on upward or downward share price movements will be abolished from Thursday, after being expanded to 20 per cent for one day only during the next trading session on Wednesday.

The move is aimed at allowing Portugal's two small stock markets, in Lisbon and Oporto, to recuperate rapidly from the sharp losses of October. The 5 per cent limit was seen as a safety net but in fact has aggravated a crisis of confidence by producing a protracted decline in the market as share prices fell in slow stages to reach their real values. The markets now face a long upward climb.

After rocketing to a peak in early October, the Lisbon share price index has fallen 34.32 per cent back to the mid-September level. A total of 640,000 shares, worth Esc4.3bn ($31.8m), were traded last week, compared with 1.2m shares worth Esc12.1bn in the first week of October.

The Banco Totta e Acores index, which hit a high of 6,812.7 on October 6, was down almost 40 per cent to 4,088.2 last Friday.

The Government has also taken steps to encourage banks to take a more active role on the stock market by abolishing limits on lending linked to the number of shares they hold. Similar limits imposed on insurance companies are also to be revised.

Until now banks have had to get authorisation from the Government to buy shares. Insurance companies have been allowed to hold a percentage of their portfolios in shares.

"These measures are aimed at helping the market achieve stability as naturally as possible," said Mr Cadilhe. "Everything indicates that share prices are in the final stage of readjustment that began a few weeks ago, and that this is the right moment for the Government to act by strengthening the self-regulating mechanisms of the market."

The Lisbon exchange features only about 100 domestic firms and the smaller Oporto market has about 70. No Portuguese companies are quoted on foreign exchanges.

- Four out of five of Portugal's investment funds (unit trusts) are temporarily suspending redemptions and new issues until prices on the stock market stabilise, Reuter reports from Lisbon.

Mr Luis Saias, director of Fundo Invest, which has a portfolio of Esc45bn, said the decision was taken after the Finance Ministry said limits on share price movements would stop this week. "This is to protect our investors and prevent speculation," he said.

Fund managers are concerned that share values will fall sharply on Thursday when restrictions on the market are lifted.

Mr Saias said the only investment fund not suspending its operations was Multipar, a small, new fund.

Combustion Engineering raises $500m

By Alexander Nicoll, Euromarkets Editor

COMBUSTION ENGINEERING, a Connecticut-based process engineering group, is tapping the Euromarkets for a $500m revolving credit facility, being arranged jointly by Citicorp Investment Bank and Credit Suisse First Boston.

Though the entire facility will be committed funding, with an uncommitted tender panel, it will be divided into a $300m initial tranche and a separate $200m optional tranche. The borrower will have six months from the signing to say whether or not it wants the latter portion. If it does, the facility will be merged to form a $500m financing.

Combustion Engineering, which has an A1 short-term rating and an A2 long-term rating from Standard & Poor's, will pay 22 basis points above London interbank offered rates. Commitment fees are 9 basis points on the "available" half of the $300m tranche, 7 basis points on the "unavailable" half, and 8 basis points on the optional $200m until the option is taken up or cancelled. There is a complex front-end fee structure.

The financing will replace two existing facilities totalling $315m and if the option is taken up it will also replace a $200m domestic credit.

Austrian bank five-year deal meets retail interest

BY CLARE PEARSON

A SUCCESSFUL $200m five-year Eurobond issue for Oesterreichische Kontrollbank yesterday underlined European investors' current willingness to buy high quality paper despite the weakening dollar.

The issue suited the market because, like a $250m three-year bond for the Republic itself launched last week, it was launched into the shorter end of the yield curve and was of sovereign borrower quality.

This means it fits the investment criteria of central banks, flush with dollars after their substantial intervention operations in the foreign exchange market.

It should also appeal as a re-investment vehicle for European retail investors who sold many of the Eurobonds in their dollar portfolios as the currency fell last month.

Over the last week, yield margins on sovereign paper have been narrowing again as investors have moved in to pick up cheap bonds.

Oesterreichische Kontrollbank's 9½ per cent issue, priced at 101¼ to give a yield spread over US Treasury bonds of 70 basis points, traded within the fees attracting steady retail interest. It was led by Banque Paribas Capital Markets.

Dealers said it had not proved the "blow-out" success that Austria's bond had been. But Austria's issue had been generously priced at a yield spread of 75 basis points over the curve. By yesterday this had narrowed by about 20 basis points.

In the secondary Eurodollar bond market prices drifted lower by up to ½ percentage point in line with the US Treasury bond market and in thin professional activity.

Dealers said the market was still focussing on the slow progress of the White House-Congressional talks on means of reducing the budget deficit. To a lesser extent, the approach of Thursday's US September trade figures was also weighing on sentiment.

The Eurosterling market posted price gains of up to 1¼ points in the 10-year area in the wake of weekend comments by Chancellor Nigel Lawson that the UK government was prepared for further interest rate cuts to ensure continued British economic growth. Last week, UK base rates were cut by ½ per cent to 9 per cent.

A new £100m mortgage-backed bond emerged, bringing the total issued in sterling this year to £1bn. This was for Domus Mortgage Finance No 1, a special purpose vehicle for Chemical Bank's UK mortgage lending subsidiary, Chemical Bank Home Loans. The issue, which is expected to be rated Triple A, removes the mortgage lending from Chemical's balance sheet.

INTERNATIONAL BONDS

The bond matures in 2014, but has an expected average life of between five and seven years. It pays 35 basis points over three-month London interbank offered rate, rising to 0.50 per cent after 10 years. Priced at par with fees totalling 50 basis points, it traded at around less 45 bid. The issue was led by Chemsecurities, the trading arm of Chemical Bank International.

Last month Chemical announced its withdrawal from primary Eurobond market activity. But Mr Guy Heald, a managing director of Chemical Bank, said yesterday that Chemsecurities would continue to lead-manage issues if clients requested it. He said the new mortgage-backed bond would be traded by Chemsecurities' Eurobond dealers (who now number about eight) and its sterling money market desk.

Prices of both domestic and Euro D-Mark bonds closed higher, with domestics gaining about ½ point and Euro supranational issues about ¾ points.

A new DM2bn 6½ per cent 10-year bond for the Federal Government appeared. It was priced at 100½ to yield 6.31 per cent. The issue cheered the market as it was half the size of normal Federal bonds, although there was some disappointment that the issue price was not lower.

The Bundesbank is expected to replace some of the DM13.8bn which it is draining from the market this week, at a rate of 3.50 per cent. Last week, DM7bn was drained from the market but not replaced.

Dresdner Bank announced a DM200m seven-year 6 per cent bond for Banque Francaise due Commerce Exterieur, callable from 1992 and priced at par. The bond was quoted by the lead-manager at less 1.15 bid, compared with 2¼ per cent fees. It yields around 6.20 per cent at a discount of 1¼, close to the yields of government bonds of comparable maturity.

The Swiss franc foreign bond market saw enthusiastic buying yesterday, with investors continuing to shift from equities to bonds. Prices rose by about ½ point in active trading. A SFr150m 5⅛ per cent seven-year bond for Kyushu Electric Power closed its first day's trading two points above its par issue price.

Credit Suisse led a SFr60m three-year 4¼ per cent bond for Volvo, priced at par. The bond was quoted in the grey market at issue price offered.

NYSE seats for Germans

ABD NY, a jointly-owned subsidiary of Dresdner Bank and Bayerische Hypotheken und Wechselbank, has bought five seats on the New York Stock Exchange, Reuter reports from New York.

Mr Wolfgang Roeller, Dresdner's chief executive, said that ABD would start floor broking activities immediately with a share capital of $7.5m. It is a subsidiary of ABD Securities Corporation New York, 75 per cent held by Dresdner and 25 per cent by Hypo-Bank.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on November 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						

[illegible]

UK COMPANY NEWS

Amersham disappoints market with £11.7m

BY DAVID WALLER

Amersham International, the manufacturer of radioactive materials which came to the market in 1982 in one of the Government's first privatisation issues, yesterday disappointed the City with a 12 per cent increase in interim pre-tax profits.

At £11.7m, taxable profits for the six months to the end of September were below analysts' forecasts of between £12 and £12.5m. Although earnings per share were more in line with expectations, at 14.4p against 12.4p, the shares fell sharply, ending the day 62p down at 308p.

The fall was exacerbated by fears of the group's exposure to currency fluctuations. Approximately 90 per cent of its turnover derives from overseas and Sir John Hill, chairman, conceded that the declining US dollar made Amersham increasingly vulnerable to competition from US companies in its principal markets.

"As always, Amersham's results will be subject to the effects of exchange rate movements," Sir John warned analysts. Although the currency effect had been broadly neutral in the first half, he said that it would be impossible to avoid an impact in the second half.

Sales across the company's three divisions were at record levels, and overall margins were maintained on turnover ahead by 15 per cent to £79.4m.

Operating profits rose by 15 per cent as well, by £1.68m to £13.11m.

No divisional breakdown was given, but the company said that margins had improved in medical and industrial products. Research products continued to experience selective price competition, predominantly in Japan, where Amersham had cut its prices in order to retain market share.

Sales of the Amerlite non-radioactive diagnostic system were running according to plan, the company said, and made a contribution to profits before research and development expenditure. Overall, this amounted to 10 per cent of group sales.

The interest charge rose by £395,000 to £1.41m, but tax fell from 35 to 34 per cent of taxable profits. Minority profits were £429,000 (£536,000), and the interim dividend was raised from 2.8p to 3.2p.

•comment

The 17 per cent fall in Amersham's share price yesterday seems unjustified on the basis of the figures alone, which at the pre-tax level were only marginally short of consensus forecasts, and in line with expectations after tax, interest and minorities. But under present conditions, investors need very little excuse to sell, and sell they did after the company conceded that currencies were bound to have an adverse effect on profits in the second half. The more sober analysts had worked this out for themselves earlier this year when Amersham detailed the price-cutting tactics of a US competitor in Japanese research markets, and their estimates for the full year were little changed at £24-£25m. That puts the shares on a prospective p/e of around 10 - low for a company which has generated 19 per cent compound growth in sales and profits in its 5 year stock-market career. But the derating is understandable: practically all of its costs are incurred in sterling, and 90 per cent of its revenue is earned in other currencies. And if the government does not redeem its golden share next March, there will be no prospect of a bid.

Virgin's £27.7m beats City expectations

BY MIKE SMITH

Virgin, entertainment group, yesterday pleased the market when it reported 1987 pre-tax profits of £27.7m, excluding discontinued businesses and exceptional items. The figure was between £2m and £3m ahead of most expectations.

The profits - 45 per cent up on the £19.1m for the year to July 31 1986 - were struck on turnover of £279.1m (£188.6m). Earnings were 20 per cent ahead at 8.77p and the final dividend in the company's first year on the stock market was 1.8p.

The music division, which encompasses record companies, music publishing and recording studios, improved its performance after a first half in which profits fell. It made pre-tax profits of £20.3m against £20.1m.

Mr Richard Branson, chairman, said that the increase was achieved in spite of start-up losses in the US of more than £1m. The US is targeted as the major area of growth for the division, which is hoping to increase market share from nil a year ago to about 5 per cent in between five and seven years. The Virgin label is also being launched in Japan.

Retail and property increased its contribution from £300,000 to £4.6m. Mr Don Cruickshank, managing director, conceded that the undisclosed retailing profits had been "slightly disappointing."

This year is likely to be a year of consolidation. The number of retailing outlets will increase from 102 to 115 but most will be small. The company is, however, opening two megastores in Sydney and Paris.

The communications division, which takes in film entertainment, television and video services, broadcasting and publishing, raised profits fivefold from £1.3m to £8.4m. This was assisted by a reduction in video prices in the UK which led to an "explosion" in the market" and the company believes the same can happen overseas.

Mr Trevor Abbott, finance director, said group gearing was about 45 per cent. Pre-tax profit returns on assets was 36 per cent.

Mr Branson said turnover in the first quarter this year was significantly higher than in the same period last year.

When the exceptional item, which resulted from the sale of part of an investment in the Music Channel, and profits from discontinued businesses are included the pre-tax profits were £31.1m (£15.5m). After tax of £12.8m (£7.2m) earnings were 10.10p (5.7p). There was also an extraordinary £4.6m, largely arising from the sale of Virgian Atlantic Airways and other companies before flotation.

Richard Branson - good first year.

•comment

Shareholders have not had the easiest of rides since Virgin was launched amid a flood of publicity on the market a year ago. Part of the shares' underperformance can be attributed to the fact that though Mr Branson's high-profile image goes down well with the public it is viewed rather more conservatively from the City. But there is also a perception that such a fashion-oriented business may be prone to volatility. These figures should help to dispel that image. Particularly impressive is the music division, which managed to increase profits, if only marginally, in a year when only five of the top 21 acts brought out albums. The performance adds weight to Virgin's argument that it now has enough bands and a large enough contribution from back catalogues, providing about a third of turnover, to ensure constant growth. The trend will be helped as more US artists are signed up. In retailing, which probably contributed about £3m, Virgin still has work to do to improve the margins but communications is building up momentum. Assuming pre-tax profits this year of £35m, the shares are on a prospective p/e of about 10.

TI holders back board over Bundy withdrawal

BY CLAY HARRIS

TI Group shareholders yesterday followed their board's advice and voted overwhelmingly not to proceed with the proposed $144m (£81m) takeover of Bundy, the leading US maker of small-diameter tubing.

The British engineering group believed the vote - which automatically terminated its cash takeover offer - would give it a "bullet-proof" defence against law-suits filed in the US over the last-minute decision to withdraw the bid in the wake of the market crash and the uncertainty facing the US motor industry, Bundy's main customer.

TI was facing at least two suits filed in US District Court in Michigan where Bundy was based. One, a "class-action" on behalf of all Bundy shareholders, alleged violations of US securities laws and breach of contract. It sought $75m in damages. The other, filed by Bundy itself, alleged breach of contract.

Mr Ronnie Utiger, TI chairman, said the company's withdrawal was based on UK legal advice that directors' fiduciary duty to shareholders included giving an up-to-date opinion that the takeover was still in their best interests.

US lawyers had advised that TI would face no liability if shareholders refused to sanction the takeover, as such approval was a condition of the offer.

At yesterday's extraordinary meeting, adjourned from October 28, the takeover was unanimously rejected on a show of hands after Mr Utiger said he had proxies from 58m shares opposing the takeover, compared with only 1.6m shares in favour.

Reckitt in £24m dental purchase

By Clay Harris

Reckitt & Colman, the food and household products group, is to take a large bite out of the West German market for denture fixatives and cleaners by paying DM72.5m (£24.2m) in cash for most rights to the Kukident brand owned by Richardson, the Procter and Gamble subsidiary.

Reckitt, whose denture products include Steradent, will acquire brands with more than 50 per cent of the fixative market and 20 per cent of the cleaning market. The West German Cartel Office forced Richardson to sell some of its business in the wake of its US parent's purchase of Blendax, another West German toiletries company, in August.

The acquisition will increase Reckitt's presence in West Germany, which at present is significantly underweight. In the year to June 30, the Kukident operations in question achieved profits of DM28m (£9.4m) before tax and other expenses.

The deal includes one of Kukident's fixative brands, Die Blauen (The Blues), but not the larger, Zwei Phasen (Two Phases). However, Reckitt will continue to supply the latter to Richardson from the factory it is buying at Weinheim, near Frankfurt.

Richardson will retain the rights to Kukident outside West Germany - with Austria and Switzerland the only other significant markets.

Reckitt will pay DM61.6m on April 1 and DM10.9m on July 1. It will pay an additional sum for trading stocks.

Marwan lifts his stake in Benlox

Dr Ashraf Marwan, the Egyptian financier who is acting in concert with Benlox Holdings in its all-paper bid for Storehouse, bought a further 60,000 Benlox shares on November 6 at a price of 44p, lifting his holding to 9.434m shares (22.8 per cent).

MBS loan facility

MBS, computer equipment supplier, has arranged a £26m loan facility in the form of a £16m syndicated loan and a £10m overdraft facility.

Woolworth acquires Ultimate for £8m

By Lisa Wood

Woolworth Holdings is paying £8m cash for the Ultimate electrical retailing division of Harris Queensway, the troubled carpets and furnishing group.

It will integrate the 94 outlets with Comet, its electrical retailing subsidiary, consolidating its position as Britain's second largest electrical retailer after the Dixon group.

When Harris Queensway announced its interim results last month it hinted that it might consider selling Ultimate. The electrical business had been built up over the past few years since Woolworth topped Harris Queensway's bid for Comet in 1984. Ultimate was made up of a couple of businesses, including Rayford Supreme which Harris Queensway bought for £30.6m in 1985.

For the year to January 25 1987 Ultimate made a net loss of £5.6m on turnover of £166.7m. At the interim stage this year Harris Queensway said that the 127 Ultimate outlets made a loss in the first half year greater than incurred in the same period last year. The problem, said Harris Queensway, was critical mass in a fragmented marketplace dominated by Dixon and Comet.

Harris Queensway, which is seeking to address the problems of its Queensway group, said yesterday that the sale was in line with its strategy of concentrating resources on its core businesses. The proceeds of the sale will be used to reduce the group's short-term borrowings.

Woolworth is acquiring 94 of the 127 Ultimate stores. Those outlets not sold will be closed by Harris Queensway and the space used for other purposes.

Some 48 of the outlets acquired by Woolworth operate as concessions within Debenham stores. The agreement has five years left to run and both Woolworth and Burton Group, which owns Debenham, said they were happy for the relationship to continue. An additional 19 outlets are located in Queensway stores where they will operate as a concession.

Mr Nigel Whittaker, a director of Woolworth Holdings, said that the acquisition was a good geographical fit as Ultimate stores were well represented in the south while Comet's traditional strength was in Scotland, the north and the Midlands.

He said that the Comet management believed it would not take long to turn the Ultimate operation into profit. The purchase price of £8m is subject to adjustments following the preparation of completion accounts. The book value of the net assets being sold is about £12m.

Mrs Mair Barnes has been appointed managing director of the Woolworths high street chain. She succeeds Mr Malcolm Parkinson who left his post suddenly last week. Mrs Barnes has been head of one of the five specialised units within the stores group. She joined Woolworth Holdings in 1985.

Prestwick cuts losses by over £2m

Prestwick Holdings, maker of printed circuit boards, showed a significant improvement in the year ended July 31 1987, cutting its losses from £2.28m to £174,000.

At the trading level it moved from a loss of £938,000 to a profit of £761,000, and was then further boosted by an exceptional credit of £944,000.

The directors reported that the order book in October was the highest for nine months. The market remained competitive but the trends were encouraging, they said.

They were reviewing the future strategy and direction of the business, they added. Mr David Simpson, a non-executive director, has become chairman in place of Mr Eric Miller, who has left through ill-health. Mr Douglas McKenzie has become executive director responsible for operations.

In the year turnover expanded to £19.8m (£14.84m). Depreciation was £2.06m (£1.82m) and finance costs £674,000 (£628,000), while on the credit side were regional development grant released £451,000 (£433,000) and selective assistance grant £405,000 (£655,000). There was no tax (credit £865,000) and loss per share came down from 7.1p to 0.9p.

The exceptional credit above the line comprised adjustment for re-appraisal of useful lives of plant and machinery £1.13m, less employee termination costs £183,000.

There were extraordinary debits of £588,000 mainly relating to the discontinuance of the solder-wrap activities of Prestwick Circuits.

CH Bailey recovery goes on

C H Bailey, ship repairer and engineer, continued its recovery in the second half of 1986/87 with pre-taxprofits for the full year to March 27 emerging at £398,625 compared with £180,698 for the previous year.

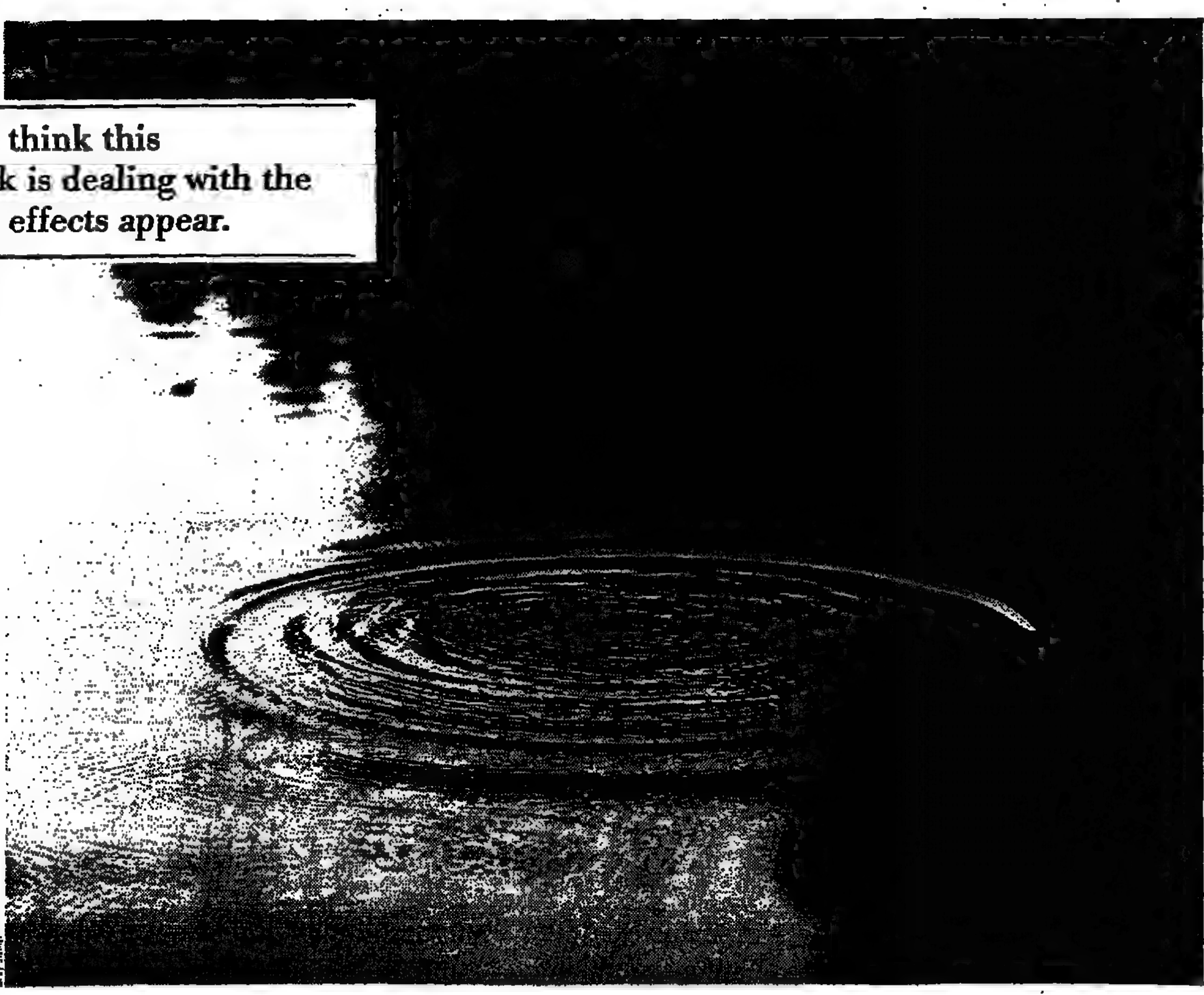
The profit was struck after taking account of exceptional income (investment grants) of £86,876 (nil) and the share of loss of its associate of £168,770 (£214,311).

Turnover for the year totalled £5.35m (£5.25m). There was no tax charge but minority losses rose to £9,437 (£1,387) leaving attributable profits of £408,062 (£182,085) for earnings of 0.68p (0.303p). There is again no dividend – the last payment was in May 1980.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding div	Total for year	Total last year
Amersham ....int	3.2	Jan 4	2.8	-	8.2
Blenheim Exhibs ...fin	2.95§	-	-	4	-
Futura Holdings ...int	2.5	-	2.5	-	8.75
Hartwell ....int	0.75	Jan 31	0.68*	-	2.25*
Health Care § ......int	0.3	-	-	-	0.9
Hunting Group .....int	2	Dec 22	2	-	6
Prestwick Holds ...fin	nil	-	nil	-	0.5
Stoddard ....int	0.5	Jan 5	nil	-	1.3
UDO Holdings ......fin	1.2	Dec 18	1	1.8	1.5*
Virgin Group ....fin	1.8	Jan 29	-	2.65	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §Unquoted stock. ∅Third market.



UK COMPANY NEWS

Dilemma for the Government over BP share defaulters

BY RICHARD TOMKINS

THE GOVERNMENT is facing a dilemma over what to do about 5,000 private investors who have failed to honour their applications for British Petroleum's disastrous share offering at the end of last month.

The vast majority of the 270,234 investors who applied for shares in the £7.2bn issue have honoured their cheques and taken up their stock, it emerged yesterday. But the Government now has to decide what to do about the 5,000 who have not.

If it takes no action, it will face strong criticisms from private investors and underwriters who honoured their commitments and between them shared £700m worth of losses when the unwanted 120p shares opened at just 88p.

If it takes the defaulters to court, however, it could find itself prosecuting small investors who will argue that they were induced to apply for the shares by the Government's extensive advertising campaign which urged the British public to "Be Part Of It."

Further, some of the defaulters are students and pensioners who cannot afford to take their losses or pay any fines imposed by the courts.

The Treasury yesterday said it had no plans to release figures on the number of cheques that had failed, and that no ministerial decision had been taken about what would be done with the defaulters.

Initially the National Westminster Bank, the lead receiving bank to the issue, is sending out letters to the 5,000 reminding them that by filling in the application form, they warranted that their remittances would be honoured on first presentation.

Beyond that, it seems likely that the defaulters will be dealt with on a case-by-case basis, with the greatest pressure being brought to bear on those who have the means to honour their commitments and simply want to avoid doing so.

Prosecution of people who default on cheques written for new issues is rare because when shares go to premiums, the issuer benefits from being able to sell them for more in the aftermarket than they would have in the offer.

When issues do flop, sponsors normally find that fierce letters threatening legal proceedings eventually succeed in persuading applicants to honour their commitments. But merchant banks are reluctant to discuss the clear-up rate for fear of encouraging the belief that it is possible to get away with defaulting.

● BP's partly-paid stock fell 3p to 75p yesterday, just 5p clear of the price at which the Bank of England has undertaken to buy them back from investors. The renouncable letters of allotment, which investors need to submit a claim, went out to investors yesterday.

Whitbread lifts holding in Boddington

By Lisa Wood

Whitbread, a major brewer, has increased its holding in Boddington, Manchester-based brewer, from less than one per cent to 3.29 per cent.

The majority of its share purchase was made from shares sold by Midsummer Leisure, the growing discotheques, public house and snooker club business which last week said it had sold its 2.1 per cent stake in Boddington.

Last month Midsummer made an unsuccessful takeover approach to Boddington. Boddington, which owns some 580 public houses and brews the cult Boddington ale, rebuffed the approach.

Whitbread said yesterday that the reason for the increased stake was that it had a long and strong trading relationship with Boddington and this move was a further cementing of that.

Mr John Dunsmore, of Wood Mackenzie, the stockbroker, said that Boddington, with nearly 40 per cent of its shareholding in "friendly hands", was now effectively bid proof.

The Whitbread Investment Trust, in which Whitbread has a 49.8 per cent stake, holds some 22 per cent of Boddington, a stake which would be critical to the outcome of any bid for Boddington.

McLeod Russel and Smale suspended

By Fiona Thompson

Share dealings in McLeod Russel, plantation group, were suspended at 385p yesterday pending an announcement, which the company said would be made today. Dealings in Kennedy Smale, glove manufacturer and machinery distributer, were also suspended, at 160p.

McLeod acquired a 29.98 per cent stake in Kennedy Smale earlier this year, saying it had for some time been planning to expand outside the commodities business. Mr Nigel Openshaw, McLeod's group managing director, took over as chairman of Kennedy in March.

It has been expected that McLeod would use Kennedy Smale as a vehicle for expanding its UK industrial interests.

In April, McLeod announced it was selling 80 per cent of its Indian tea interests for £18.4m to Mendip, a consortium of European investors. The proceeds, the company said, would be used to repay bank borrowings and to expand its other UK activities. The Mendip deal has involved a reorganisation of McLeod, with all the group's activities, other than the Indian interests, transferred to a newly-created holding company.

In June, McLeod reported a £660,000 downturn in pre-tax profits to £5.68m for the half year to March 31, 1987.

Nikki Tait looks at the background to Granada's £222m bid for Electronic Rentals

Tuning in to a programme of expansion

CONVENTIONAL wisdom says that when a market declines you either get out or you get big. Yesterday's £222m bid approach by Granada for Electronic Rentals Group is a large step in the latter direction.

The market in question is the TV and video rental market. Most analysts reckon that the decline on the TV side is something like five per cent a year and, if anything, accelerating. Video rental is, at best, static.

There is no doubt about the largest, and most efficient, player in the UK at present - Thorn-EMI, which has a market share reckoned to top 40 per cent. Granada, through its 620-strong chain of Granada TV Rental outlets, clocks into second place with something more than 20 per cent; Electronic Rentals, which takes in 450 shops and markets under the Visionhire name, comes third with under 15 per cent.

The problems of the rental market have been obvious for all too long and both Granada, for which electronic rental and retail is still the largest division, accounting for perhaps 60 per cent of trading profits, and Electronic Rentals, have - with differing degrees of success - set out to tackle it.

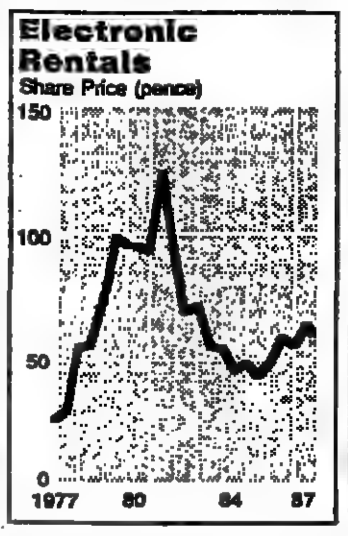
Both companies, not unsurprisingly, have seized the obvious route of expansion into the retail end. For Electronic Rentals, something of a go-go stock in the late 1970s, that has taken two forms: on the one hand, it made a number of acquisitions - a smaller rental group, Telefusion, for £23m and Carousel Colourhire from Dixons for £28m, both in 1985. On the other it has increasingly been introducing retail into its rental showrooms.

The latter strategy is broadly seen as the more successful: the acquisitions brought problems - notably the Connect chain, part of Telefusion, which made a £5m trading loss in 1986/87. Rationalisation there is now largely complete, but the acquisition took ERG's gearing to more than 120 per cent by March 1986 and almost 100 per cent a year later. Analysts forecast a reduction to perhaps 60 per cent by next March, but hefty interest charges have dampened the profits picture. Pre-tax, the company made £18.5m in 1986/87, after finance charges of £12.1m. In the current year, the figure is widely-forecast to improve to £23m.

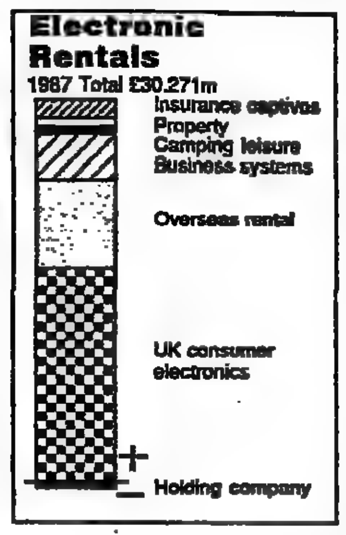
Granada, too, has hit the acquisition trail - buying the Rediffusion business from BET back in 1984, at a time when it held about 11 per cent of the rental market and the BET offshoot another 8 per cent.

But in the wake of abortive merger talks with Ladbroke in early-1986, followed by an unwanted approach from Rank Organisation - blocked by the Independent Broadcasting Authority - the company has also been stepping up diversification.

On the electrical goods side it picked up the Laskys chain from Ladbroke a year ago - shifting its UK rental/retail mix - and is expanding on the Continent. Equally, it has made much of the push into new areas - for example, the holiday market.



Alex Bernstein, chairman of Granada.



Yesterday, however, all arguments were concentrated on its core business. Granada argues forcibly that the addition of the ERG outlets would provide further economies of scale, upping its profitability in a sector which - if recession does indeed hit seriously - could see some revivial in its fortunes.

"There are two driving forces behind the bid," claims Granada's finance director, Derek Lewis. "The first is purely financial - the acquisition would bring cost efficiencies and an important improvement to the bottom line."

Profitability in this business is largely about sale densities and although Granada is not making any kind of forecast, analysts were yesterday estimating that perhaps one-fifth of the combined group's outlets could be closed without significant loss of sales. The benefits would, however, occur principally in the 1988/89 financial year (and onwards).

The second advantage, argues Granada, would be its increased market power - in terms of purchasing arrangements, marketing spend and so on. Moreover, ERG's overseas rental interests, which accounted for 20 per cent of last year's trading profits, take in an attractive German business and its profitable business systems arm. Only the small camping and leisure side appears to have relatively little fit.

Yesterday, given the hefty involvement of both groups in the rental business, the spectre of a Monopolies Commission reference loomed large. On that score, Granada will doubtless argue that the combined group's share of the rental and retail market would only be in the low teens - and that the dividing line between rental and retail is rapidly eroding. But with shares in ERG up only 9p to 64p - 12.5p short of the bid terms - the City was clearly expresing its doubts.

No doubt it is a line of defence which ERG, if it decides to fight, would immediately employ. Whether the offer turns into battle should become clear after ERG's board meeting today. Yesterday, at least everyone was at pains to remain cordial, and Granada's successful market raid - giving it a 14.9 per cent stake in its target - is no doubt designed to increase pressure for an agreement.

And if a struggle does develop, the position of Dutch electronics group Philips, which holds a 22.4 per cent stake in ERG could prove crucial. In the distant past, ERG acted exclusively for Philips and the Dutch company still has a non-executive boardroom position. Although the exclusive arrangement ended in the 1970s, it remains a larger supplier to ERG than Granada. Would a strengthened customer be good or bad news?

But, in general, the bid had the City divided yesterday.

Granada says its commitment to expand elsewhere will be helped rather than hindered by the strong cash flow which an enlarged rental/retail business would generate. But £222m is a lot of money - especially these days.

UK COMPANY NEWS

Armitage Shanks £5m acquisition

Armitage Shanks, a subsidiary of Blue Circle Industries, has acquired the kitchen furniture businesses of Wrighton and Elizabeth Ann from Greenbrook Furniture for around £5m.

Production of the two kitchen furniture ranges is based at Nazeing, Essex.

The acquisition will extend Armitage Shanks' area of activity further in the home fittings market.

OT&T £2.6m deal

Ocean Transport & Trading has paid C$6m (£2.55m) for GM Patry, a leading Canadian freight forwarder and customs broker.

Mr Nicholas Barber, chief executive, said: "This is another important development in the planned expansion of our forwarding interests in key growth markets."

Patry's forwarding operations will be integrated into Ocean's existing worldwide freight-forwarding organisation MSAS Cargo International, but Patry's customs brokerage business will continue to use its existing name. Patry has offices in Montreal, Toronto and Vancouver.

Scapa in Germany

Scapa Group has acquired Villforth, a West German maker of fourdrinier wires and fabric for the papermaking industry. Its sales in 1986 approached £7m.

Scapa said the acquisition was part of its programme of penetrating all world markets with its engineered fabrics for paper machines. West Germany was the largest European producer of paper and Villforth represented an important opportunity for Scapa to establish an initial manufacturing base there.

Hawker Canada

Hawker Siddeley Canada, subsidiary of the UK electrical and mechanical engineering group, increased its pre-tax income from C$24.06m to C$26.81m (£11.4m) in the nine months to September 30 1987.

Sales were down slightly from $305.62m to $292.13m. Taxes (current and deferred) came to $10.19m ($10.23m).

Estates & General

Estates & General Investments has sold three industrial investments, Point 4, a trading estate at Avonmouth, Bristol, to S.A.K. Investments for £1.63m; The Pavilions, comprising three units at Bracknell, Berkshire, one of which was sold to an owner/occupier for £315,000; the other two were sold to N.M. Schroder Life Property Fund for £820,000; and a 13,000sq ft warehouse at Uxbridge to Kimal Scientific for £737,000.

Westland Aerospace

Westland Aerospace, a subsidiary of Westland Group, has acquired a 65 per cent stake in Marex Technology, which specialises in supervisory control and data acquisition systems for the offshore and industrial process control industries.

The acquisition will broaden Westland Aerospace's existing electronic control systems capability. In the year to March 1987, Marex had a turnover of £2.56m.

County Properties

The directors of the County Properties Group yesterday called for a temporary suspension of the company's share listing pending publication of an announcement.

Lynton acquisition

Lynton Property & Reversionary has acquired Midhurst Investments from Wereldhave for a consideration of more than £8.5m to be financed from the company's own resources.

Midhurst's assets comprise long leasehold interests in two London properties and associated car spaces, Ebury Gate, an office building of 45,000 sq ft which produces an annual total net income of £630,000, and Belgrave Court, a block of 67 luxury flats.

Lynton said that the acquisition will provide the company with a secure income flow.

J ROTHSCHILD Holdings has bought a further 2.68m of its shares at 140p a share for cancellation, reducing the issued share capital to 297.2m shares.

PHICOM: The open offer to shareholders received applications for 38.7m shares (0.08 per cent).

FT Share Service

The following securities have been added to the Share Information Service.

Alba (Section: Electricals).
Evergreen Resources (Oil and Gas).
Hibernian Group (Insurance).
Kidston Gold Mines (Mines-Australia).
Pavilion Leisure (Leisure).
Placer Pacific (Mines-Australia).
Premark International (Americans).

UDO advances 39% to £3.8m

BY STEVEN BUTLER

UDO Holdings, supplier of drawing office equipment and specialist reprographic services, has turned in another year of rapid growth with pre-tax profits increased by 39 per cent to £3.8m and turnover up 49 per cent to £31m in the 12 months to the end of July.

Mr Terence Rutter, chairman, said that about half of the growth in turnover came from acquisitions, while the balance came from organic expansion.

Earnings per share rose from 8.03p to 11.05p, and the full-year dividend came to 1.8p, up from 1.5p.

Mr Rutter said that the group's decision to expand into the manufacture of diazo-related products had so far been a success. The reorganization of Aargue Systems and Harper & Tunstall, acquired earlier in the year for £6.62m, was virtually complete, with excess staff reduced, manufacturing equipment transferred, and costs associated with the rationalisation mainly behind the group.

This leaves UDO ready to reap the benefits of the acquisitions, which would contribute to profits and turnover in the current year, Mr Rutter said, and to move to reduce the build-up of debt associated with the acquisitions.

The group has net debts of £6m, or gearing of about 40 per cent, and this was expected to fall rapidly owing to UDO's cash-generating businesses. Freehold properties of the two acquired companies were now ready to be sold.

The directors did not believe that current market conditions would create a serious obstacle to further expansion of the group, and that minor acquisitions aimed at filling out the group's geographic coverage would continue.

The acquired manufacturing companies have annual exports in the range of £10m. Although some of these operations were unprofitable and would be trimmed, Mr Rutter identified Europe as a major potential market for the long-term expansion of the group.

Siebe sells shoe-making side to its management

BY CLAY HARRIS

Siebe, controls, engineering and safety equipment group, yesterday sold its shoe manufacturing operation to management in a deal worth £2.5m, including the debts assumed by the new company.

The purchase of James North Footwear and Stuart Latham, makers of slippers and casual footwear, was arranged by March Investment Fund, the Manchester-based venture capital company. Other financial backers are the Greater Manchester Economic Development Corporation and the British Gas Pension Fund.

Both companies, which have been managed as one unit for 15 years, are based in north-west England. Mr Brian Nuttall, managing director, said production would be increased to meet the growing demand for James North's new range of casual shoes.

RAWDA Investments has bought 1m more ordinary shares in Carless Capel & Leonard, the oil company, lifting its holding to 13m shares (7.5 per cent).

Avis keen to close Bramall takeover

By Clay Harris

Avis Europe, the car leasing and rental group, will buy shares of C.D. Bramall in the market in an effort to bring to an early conclusion its £79m agreed bid for the Bradford-based motor dealer and contract hire company.

Bramall shares were trading yesterday at 625p, compared with the 646.6p cash alternative which Avis would like to close after Friday, the first closing date for the bid which was launched before the market crash.

Avis announced an option and indemnity agreement with Morgan Grenfell, under which the merchant bank would neither gain nor lose from market purchases of Bramall shares.

Avis wants to be able to have 90 per cent of shares by Friday in order to declare the bid unconditional. It started the bid with irrevocable acceptances for 57.6 per cent.

The three-for-five share offer was worth 446.6p yesterday, exactly 200p less than the cash offer. At these prices, the sub-underwriters would face a paper loss of more than £19m if all Bramall shareholders, apart from the 28.9 per irrevocably committed to the share offer, accepted the cash terms.

Avis said that it had received satisfactory assurances from Ford, Austin Rover and General Motors that the takeover would not affect Bramall's dealership arrangements with the three manufacturers.

The bid was cleared last week to proceed without a reference to the Monopolies and Mergers Commission.

TR Technology Investment: Berkeley Govett, on behalf of Firmandale Investments, bought 3.08m shares on November 6, lifting Firmandale's stake to 15.96 per cent.

Blenheim profits nearly trebled

BY PHILIP COGGAN

Blenheim Exhibitions, the fast-growing exhibition organiser, yesterday announced that it had met the profits forecast made when it acquired Online International two months ago. Pre-tax profits for the year to August 31 were just under £1.43m, nearly three times the £502,000 made the previous year. Turnover rose from £2.62m to £4.6m.

Although Blenheim has made six acquisitions since it joined the Unlisted Securities Market on "Big Bang" day last year, only one, PKD, made a contribution to these figures. PKD, which runs the Harrogate Gift Fair and the British Craft Trade Fair, was acquired for a maximum of £5m in April - it contributed £420,000 to these results.

Mr Neville Buch, chairman, said that the various acquisitions meant that in future the majority of profits will be earned in the second half. The benefits of last year's acquisitions will be seen in this year's second half.

Mr Buch said he thought it unlikely that the recent stock market crash would affect the exhibition business. "Exhibitions are cost-effective," he said, "and people are likely to cut back on other forms of marketing instead."

Blenheim organises exhibitions for a wide range of industries from fashion to computer technology.

Pre-tax profits include rental income of £135,000 (£135,000) and interest receivable of £162,000 (£35,000 payable). After tax of £481,000 (£136,000), earnings per share were 12.2p (7.3p). Blenheim's maiden final dividend is being set at 2.95p, making a total of 4p.

•comment

Blenheim was a USM hot stock before the crash and its shares have as a result suffered more than most; at 425p, down 20p yesterday, they are well under half the level they reached in mid-October. A downturn in the economy would obviously have an effect on Blenheim, but it might be marginal rather than substantial; in declining markets, companies chase market share and trade fairs are reasonably efficient ways of attracting customers. There is plenty of growth to come this year and the company has enough cash to enable it to make the odd acquisition. Nevertheless, even assuming that pre-tax profits climb to £4m this year, the prospective p/e is around 17, at a premium to the market. With the market in its current nervous condition, that rating looks high enough.

Stoddard keeps up momentum with £1.1m

FURTHER BENEFITS from earlier efforts to lift margins, productivity and efficiency were major factors in helping Stoddard Holdings to a first half pre-tax profit of £1.14m.

This continues the recovery shown last year, when midway profits came to £396,000 and fulltime to £1.7m. An interim dividend of 0.5p is declared following the return last year to a single payment of 1.3p.

The second half was expected to be good, said Mr Gordon Hay, chairman of this carpet manufacturer, and should give "a very satisfactory outcome" for the year to March 31 1988. In October sales and orders improved. There were plans to instal an advanced tufting machine early next year.

Despite continued capital investment, net borrowings fell a further 40 per cent to £1.3m; shareholders' funds rose to £7.7m, cutting gearing to only 17 per cent.

Mr Hay said margins were again increased. Promotional charges were up reflecting a move into a higher gear of marketing, the benefits of which would be more fully apparent in the second half and subsequently.

Sales for the half year declined to £16m (£17.4m), but were 6.5 per cent higher when excluding a subsidiary sold in August 1986. Operating profit moved up to £1.26m (£676,000) while interest charges fell to £118,000 (£280,000).

After tax of £145,000 (£79,000), being the unrelieved ACT on dividends, the earnings came through at 6p (0.9p) and 2.4p (0.7p) fully diluted. At the end of March 1987 tax losses of nearly £11m were carried forward for relief against future profits of certain companies.

Hartwell nears £5m mid term

Hartwell, motor dealer, heating oil distributor and property investor, reported a substantial increase from £2.51m to £4.45m in pre-tax profits for the half year to August 31 on turnover up from £137.6m to £164.04m.

The directors said that the company was in a very good position with buoyant trading and the board was optimistic about prospects for the coming months. They said that good progress was being made with the marina development at Abingdon with 21 houses having been sold to date. A further planning application has recently been submitted to extend the development.

A 38-acre site at Wootton was acquired in June to ensure that the company continued to have adequate space in the Oxford area to pursue its motor trade interests and plans were being submitted for the development of this site both for investment properties and additional facilities for the company's motor division.

Trading profit for the period increased from £2.79m to £4.82m; interest and stock finance charges amounted to £375,000 (£275,000). Tax took £1.51m (£810,000) leaving net earnings per 25p share of 3.74p (2.17p).

The interim dividend is raised from 0.66p to 0.75p.

Sturge buys underwriting agencies in £15m deal

BY NICK BUNKER

Sturge Holdings, the biggest insurance underwriting agent at Lloyd's of London, is paying £15m for the Bellew, Parry & Raven group of underwriting agencies.

A "very good chunk" of the money will go to BPR's three main shareholders, Mr Bertie Grattan-Bellew, Mr Charles Raven and Mr John Parry, said Mr David Coleridge, Sturge's chairman.

Sturge said that the consideration would include £3.5m in cash, with the remainder made up of an issue of 2.58m new Sturge shares. Plans for the acquisition were first revealed in May.

The BPR agencies made pre-tax profits of £832,000 in the year ending September 30 1986. But Sturge estimated that without various expenses which would disappear under the new management, BPR would actually have made not less than £1.7m pre-tax.

The three-year accounting period used by Lloyd's syndicates means that BPR has not yet received commissions and other income relating to the 1985, 1986 and 1987 underwriting years. All this income would go to Sturge, Mr Coleridge said.

Welpac profits surge

ON TURNOVER up from £2.59m to £4.59m, pre-tax profits of Welpac, the USM quoted packager of hardware supplies and manufacturer of light fittings, has produced pre-tax profits of £404,000 for the six months to July 31 compared with £173,000 for the corresponding period of the previous year.

Earnings per 7p ordinary are up from 0.6p to 1.07p after tax of £148,000 (£63,000).

The figures include a substantial contribution from the Shawe group of companies acquired in March 1986. Welpac has traditionally experienced a seasonal bias towards the second half of its financial year, whereas Shawe group's trading has been weighted towards the first half.

Mr Gerald Lavender, the chairman, says the directors are confident of a continued improvement in turnover and profit in the second half but stresses that the bias towards the latter six months trading would be less pronounced than last year.

The company does not make interim dividend payments; last year's single payment was 0.35p.

Aquascutum profits up 28% midway

Aquascutum Group, clothing manufacturer and retailer, saw taxable trading profits rise from £569,000 to £726,000 in the six months to July 31. Turnover was up from £17.15m to £19.68m.

Last time the company also took in above the line an exceptional credit of £648,000 - a rates refund - to give a total pre-tax profit of £1.22m.

After reduced tax of £232,000 (£480,000) earnings per 5p ordinary fell from 2.72p to 1.62p. The directors declared an interim dividend of 1p, up from last time's 0.8p.

The chairman expected improved results for the full year.

Futura loss rises

Futura Holdings, Cheshire-based footwear manufacturer which has in recent years reported interim losses followed by increased year-end profits, again reported a loss - of £102,286, up 55 per cent from the previous £65,854 - for the 28 weeks ending July 11 1987.

But the directors said yesterday that turnover and trading profit for the full year were expected to be less than last year when pre-tax profits rose from £407,000 to £453,000.

Sales over the 28 weeks were similar to the comparative period in 1986 at £1.69m (£1.67m).

The interim dividend is held at 2.5p and the loss per share worked out at 9.08p (7.19p).

TECHNOLOGY

Data dilemma for Europe's PTTs

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

THE GROWING market in corporate telecommunications will undergo radical change in Europe over the next five years as national barriers are broken down and the distinction between data and voice traffic is eroded.

These are among the conclusions of a new study undertaken by Butler Cox, the independent consulting group, which says that the data communications market presents significant opportunities for new entrants working on an international basis.

According to the report, the expansion of business traffic presents attractive opportunities to the national public telephone operating companies. But Butler Cox throws considerable doubt over the ability of these groups to exploit the market, arguing that the main beneficiaries are likely to be big multinationals with stronger commercial instincts.

"It will be very difficult for the public telephone companies to take advantage of the opportunities because of their commitment to existing services and the restrictions on their sales organisations," says Jim Norton, one of the authors of the study. "The Bundespost salesmen in West Germany, for example, are civil servants, and you cannot build normal incentives and bonuses into their pay structure. I think the PTTs will be hamstrung."

Among the other points made by the report are:

●Data communications is becoming a key area for user companies in establishing their competitive position. This trend is intensifying as business becomes more international.

●Users are gaining more power in the market and are likely to exert their influence increasingly because many of their needs are still not being met in Europe. Many companies, for example, would like to be able to go to one operator and buy a complete European service, rather than deal with several different billing points and regulatory authorities.

●At least three companies capable of offering a European-wide data service are expected to emerge. These operators will be able to manage all the data communications for their customers.

●Although the regulatory position varies in different countries, data communications have largely been deregulated in Europe. As telecommunication systems move over to digital technology, it will be increasingly difficult to distinguish data from voice communications, which are currently regulated. Hence Butler Cox expects voice to be deregulated as well. "If you cannot police a regulation effectively it is hard to enforce it," says Norton.

●New investment in private international networks dedicated to the needs of a single company is likely to dry up over the next five years. Public systems will become cheaper, and shared networks will be easier to use. Only a few sectors which have special needs, such as banking, are likely to retain their private networks: in these areas the network is integrally linked to the product being sold.

●Integrated Services Digital Networks (ISDN) technology may not make the impact which is being widely predicted for it. ISDN allows data, voice and video communications to be transmitted through one socket over the same line. It has therefore been seen as a means for the public telephone companies to recapture the market which has switched to private data communications. But if outside network managers come onto the scene to cater to the total telecommunications needs of corporate clients, they may well undermine the impact of ISDN.

To reach these conclusions, Butler Cox says it has interviewed 300 decision makers across Europe. It will be charging between £7,500 and £20,000 for the report, depending on the amount of detail required by the purchaser.

W.H.Smith gives cable TV a spin

By Geoffrey Charlish

AN INTERACTIVE cable television system called Cable Jukebox has been developed by Praxis Systems of Bath, the UK computing systems company. Commissioned by W.H.Smith Cable Television of London, it went into action in Coventry on November 1 and the company will be offering it to other interested cable TV operators. Praxis is also able to develop other systems to specific-customers' requirements.

"Jukebox" is an apt description but, instead of putting money in slots, subscribers use hand-held units in conjunction with TV sets to select pop videos from up to 1,000 items held on video disc players at the cable company.

Signals are sent "backwards" up the cable to the company's premises and in 10 seconds or so a message comes back and appears at the top of the screen, indicating when the selection will be played.

Software within an associated minicomputer controls the response to the various requests that are being made by subscribers. For example, the most frequently requested items are played first.

IBM puzzles industry with a 'late switch of announcements'

BY ALAN CANE

IBM last week lived up to its seven-month-old promise to ship a version of the new operating software for its PS/2 family of personal computers in the first quarter of 1988.

It announced that it will be shipping the new system, OS/2, in January 1988. The announcement, made simultaneously in all IBM's major markets, generated feelings of relief among competitors who had been expecting much more significant news.

It is understood that IBM had, in fact, prepared a number of completely different announcements but withdrew them at the last minute. There was a distinct feeling of disillusionment.

Last week, speaking at a Financial Times conference on professional personal computers, Brian Utley, group director of workstations for IBM Europe said that versions of OS/2 had been under test for a year now and that some 1,000 users inside and outside IBM had experience of the software. The results had been gratifying, he said.

OS/2 is a control system for personal computers developed jointly by Microsoft, the software company, and IBM. It is designed specifically for IBM's new microcomputer family where it can make the most of features like the power of the Intel 80386 microprocessor chip and IBM's new microchannel computer design.

The version of OS/2 customers will have available in January, however, will be far short of the full power of the system.

It will make possible multitasking (the capacity to carry out more than one task at once) and give the ability to use up to 16m characters of memory (16 megabytes). The most powerful IBM PC at present can address only 640,000 characters.

The most important features of the new system, such as "presentation manager" which enables the user to open several "windows" on the screen of the computer to carry out separate tasks, "database manager" which will give personal computers the power to seek and retrieve data in a manner similar to mainframes and "communications manager" which will facilitate the links of personal computers in networks, will not be available until later next year.

IBM also announced:

●Displaywrite 4/2, a word processing program running under OS/2, available in the second quarter of 1988.

●An IBM version of Unix, the fast growing multiuser operating system, to run on the PS/s machines, available in the third quarter of 1988.

●A new version of IBM's 3270 workstation program, available in the second quarter of 1988.

Microsoft intends to make versions of OS/2 available commercially. IBM this week implied that its versions gave customers unique advantages. Ian Reynolds, director of sales and services for IBM UK said: "No other version of OS/2 can offer full Systems Applications Architecture and the benefits of portability, systems integration and application consistency."

In the US, IBM advanced the launch of the first standard version of OS/2 to December, a month ahead of schedule, and announced delivery dates for more advanced versions of the operating system in 1988.

IBM's announcement is not expected to significantly hasten the adoption of the new operating system, but it may ease concerns among potential IBM PS/2 customers that availability of the operating system, like so many pre-announced software products, could be delayed.

EAGLE EYE

by Louise Kehoe

How down to earth research has gained ground at Nasa

TECHNOLOGY spin-offs from the US space programme used to be by happenstance. Somebody close to Nasa saw commercial potential in the arcane scientific work of the space laboratories and built a business upon it. Teflon and "Tang", the orange powder drink, are the classic examples.

Sometimes the serendipity still works. The "riblets" coating applied to the America's Cup winning yacht "Stars & Stripes" emanated from Nasa research upon shark's skin and the reduced air or water drag effects upon grooved surfaces.

Spotted by a 3M Corporation researcher, the Nasa research brief proved to be the key to the manufacture and application of a new ridged coating for boats and planes, trademarked "Scotchcal".

Today, however, the "bonuses" of commercial spin-offs are becoming a prerequisite of Nasa's multi billion dollar budget and the agency is taking the initiative in transferring space technology "down to earth". Indeed, Nasa is promoting itself as a "national resource" to be used to boost American "competitiveness" and positively encouraging industry to tap its technical expertise.

This is a dramatic switch from the good old "glory days" of the US space programme when Nasa scientists would hardly stoop to get involved in commercial offshoots of their primary goals.

But the transformation is not proving easy. Establishing good lines of communication between the bureaucracy of Nasa's laboratories and high-tech entrepreneurs who might take advantage of their resources may be every bit as challenging as sending back pictures of outer space.

Nasa "is on another planet," as one high-tech entrepreneur put it. The cultural gap between the commercial world and the space laboratory is immense.

Nasa is trying hard, and the agency can boast many apparently successful commercial ventures that have taken advantage of its broad high technology expertise. Still, most of the space race spin-offs are linked to former Nasa employees who hardly needed to be told of the wealth of resources within Nasa's space programmes.

Space cowboys

Perceptive Systems of Houston, Texas, is typical of the type of spin-off run by former space agency employees.

The three-year-old company was launched by "a bunch of old cowboys from the space programme," boasts co-founder Don Winkler, who used to work at the Johnson Space Center in Houston, Texas.

The chromosome charting systems that Perceptive Systems have developed have their roots in medical digital imaging systems developed at Nasa's Jet Propulsion Laboratories (JPL) in the 1970s, says Kenneth Castleman, president of PSI and former director of biomedical image processing at JPL.

The PSI systems, which are used in pre-natal diagnosis of genetic disorders, produce a digitised image of chromosomes called a karyotype.

Although PSI has several competitors its systems are significantly less expensive than others. In part, the company says, this is because all of the basic research was conducted at JPL, so research and development costs have been minimised.

Bird's eye view

Former Nasa scientist, Laurie Johansen, credits the agency with providing an environment in which she, as a biologist, had an opportunity to swap notes with engineers developing light filtering systems used in sun simulators. The result is a fledgling company that produces highly-acclaimed sunglass lenses.

The stimulation of the space laboratories, but also ironically the frustrations of working within its bureaucracy, drove Johansen to start her own company, called Suntiger.

"I think Nasa's Jet Propulsion Laboratories provide the perfect mix of excitement and frustration to create new businesses," she remarks.

Suntiger's sunglasses mimic the natural microscopic light filters that block blue, violet and ultra-violet light in the eyes of penguins, eagles and other birds of prey. The glasses have become especially popular among glider pilots in the US.

The company's latest lenses are designed for use by skiers and water sportsmen with extra protection from the reflective glints from the snow or water. As well as providing comfort and increased visual accuracy, the Suntiger lenses can contribute toward the prevention of the eye damage caused by high energy light.

"Over a period of years, research evidence suggests these glasses, with their substantial safety element, could have a preventative effect on the incidence of age-related blindness," says Michael T Hyson of JPL.

Curtained off

Putting related technology to quite another use, the Wilson Sales Company of Rosemead, California, developed safety welding curtains in conjunction with JPL scientists.

Electric arc welding emits brilliant light that can cause eye damage if the observer stares at the glare for an extended period. While the welder is protected by a shield on his helmet, people working around him can be at risk.

In the late 1960s, Wilson Sales company originated the concept of a transparent welding curtain made of heavy duty vinyl. "The curtain blocked some of the high-intensity light while allowing the supervisor to make sure that the welder had not fallen asleep!" says David Wilson, company founder.

Under competitive pressure, Wilson tried to improve its welding curtains to filter out more of dangerous high energy blue and ultra-violet light. He turned for help to JPL scientists Charles G Miller, a nuclear physicist specialising in the interaction of photons with materials, and James B Stephens, a systems engineer.

Over a three year period, the JPL scientists developed a material that incorporates light filtering dyes and small particles of zinc oxide. The new curtain absorbs, filters and scatters light to improve the safety of welders and co-workers.

As well as filtering out harmful rays, the curtain fluoresces to provide the welder with better ambient lighting.

Cool heads

Another spin-off success story comes from the Johnson Space Center in Houston, Texas. Adapting technology developed to keep astronauts comfortably cool beneath their space suits, JSC developed a scalp cooler for cancer patients undergoing chemotherapy.

One of the distressing side effects of chemotherapy is hair loss, but doctors have found that lowering the temperature of the scalp reduces the amount of drug absorbed by hair follicles and prevents hair falling out.

JSC originally devised a prototype scalp cooler as a community service project in 1980, but the device went unused until Virginia Hughes, a JSC employee, developed the disease lymphoma.

Her husband, H Merv Hughes, a senior management analyst at JSC requested the use of the scalp cooler for his wife. The device worked remarkably well and the husband and wife team decided to form a business to commercialise the system.

Composite Consultation Concepts, their company, spent three years refining the design and introduced the "Chemo-Cooler" in 1985.

Inside edge

Former Nasa scientists who have "landed" in the commercial world, acknowledge that it is far more difficult for "outsiders" to tap the expertise of the space laboratories.

"As ex-employees we knew where to go to get the help we needed," says PSI co-founder Kenneth Castleman. "The technology transfer systems are in place, but you have to understand how the system works. You have to understand the culture," he explains.

"Most Nasa engineers regard commercial inquiries as a distraction, unless a formal programme has been established," Castleman adds.

Nasa employees who have long been discouraged from taking up outside commercial interests will adapt only slowly to the new openness, adds Laurie Johansen of Suntiger.

Companies looking for "free" technology from Nasa must also be aware, Castleman warns, that space technology does not come ready packaged for commercial applications. "Nasa has never made a single Teflon coated frying pan!" he notes. "Technology transfer cannot substitute for in-house expertise. The company needs to have its own technology resources."

Outsiders can tap Nasa know-how with help, suggests Johansen. An informal pipeline between JPL and industry has existed for several years in form of "Venture Technology" a company created by James Stevens, one of the JPL engineers involved in the welding curtains project.

But Stevens is an exception to the rule, "a renegade who pushed for years to win approval for his commercialisation ideas," according to former colleagues.

Bridging the gap

A new organisation aiming to bridge the cultural gap between Nasa labs and the commercial world is RimTech, a non-profit group that grew out of a Southern Californian high-tech business group's interest in exploiting the potential of Nasa's Jet Propulsion Laboratories in Pasadena.

RimTech maintains that entrepreneurs, individuals who understand both the underlying science of new technologies and the markets where they can be applied innovatively, are the best agents for transferring technology from laboratory to industry.

Acting as a kind of marriage broker, the group has brought together ten small to medium-sized high-tech companies with Nasa experts over the past year. For $25,000 a piece, the companies buy a share in the collective expertise of Nasa's thousands of scientists and engineers.

Does the system work? So far, participants are pleased. "We moved farther in one day at Nasa/JPL than we could have in-house in a month," acknowledges one participant. "We could not afford to buy facilities like they have at JPL, but we could pay to use them and immediately broaden our testing capability."

RimTech plans to expand its field of operations into Northern California next year, seeking venture capitalists as new Nasa clients. The investors in new high-tech ventures could use Nasa's expertise in evaluating business plans and the progress of the companies they have invested in, suggests Andrew Paterson of RimTech.

If it is successful, RimTech will link the citadel of entrepreneurial strength with one of the most powerful scientific research organisations in the world. The combination could be explosive, but will it really assist existing ventures, or will it simply encourage more Nasa scientists to seek new challenges in the world of commercial enterprise?

Sulphur document cannot be used

BIBBY BULK CARRIERS LTD v CANSULEX LTD
Queen's Bench Division (Commercial Court):Mr Justice Hirst: October 29 1987

COGENT AND persuasive reasons are required by case law to justify release of a litigant or solicitor from an implied undertaking to the court not to use discovered confidential documents for a collateral purpose. And even taking account of a subsequent non-retrospective rule of court that the undertaking ceases once the document has been referred to in open court, such reference is insufficient reason in itself to justify release if it received so little publicity that confidentiality was not destroyed, and if there is a risk of prejudice to the owner of the document.

Mr Justice Hirst so held when refusing an application by Bibby Bulk Carriers Ltd and its solicitors to be released from implied undertakings given in the *Cambridgeshire* action not to use for a collateral purpose documents produced on discovery by Cansulex Ltd.

HIS LORDSHIP said that in the *Cambridgeshire* action Bibby and its solicitors gave the court implied undertakings not to use a discovered document disclosed by the defendant, Cansulex.

They now applied to be released from the undertakings, so as to be permitted to transmit the document to Pactolus Compania Naviera SA, for use in an arbitration.

In the action Bibby claimed damages against Cansulex for corrosion to the Cambridgeshire after carrying sulphur from Vancouver to Africa. The claim centred on an allegation that Cansulex shipped cargo dangerous to the vessel in that it possessed the potential to corrode, in breach of the bill of lading contract.

One of the issues was whether sulphur had that propensity, and whether Cansulex knew that it did before it was shipped.

As part of discovery Cansulex disclosed a document consisting of minutes of a meeting held in its conference room in 1974, addressed by an expert in sulphur research. He adverted to research on the corrosive effects of wet sulphur on mild steel.

During the action Bibby's counsel read out in open court the body of the document, but not the details of the persons who attended the meeting. It was one of a number of documents by which Bibby sought to fix Cansulex with the relevant knowledge.

The following day Lloyd's List reported the action, with a headline "Court told information on corrosion was concealed." The report contained no specific mention of,nor any quotation from the document.

Use of the document was sought by Pactolus in an arbitration relating to a vessel which carried sulphur from Vancouver in summer 1977.

Neither Bibby nor Cansulex was party to the arbitration. Nor was there any connection between Bibby and Pactolus, apart from the fact that both were entered in the same defence association and were represented by the same solicitors.

The alleged significance of the document was that the list of attenders at the meeting included a Mr Y, who was said to have subsequently entered the employ of a Canadian company associated with the respondents in the arbitration. The solicitors wished to use the document to pin knowledge of the alleged corrosive potentialities of sulphur on the respondents, via Mr Y.

Order 24 rule 14A of the Rules of the Supreme Court provided that any undertaking not to use a document for purposes other than the proceedings in which it was disclosed ceased after it was read or referred to in open court, unless the court ordered otherwise "for special reasons".

The rule only came into force on October 1 1987. It was not retrospective.

The existence of the implied undertaking had long been recognised and its importance emphasised. In *Home Office v Harman 1983 1 AC 280* Lord Diplock said an order for production of documents to a solicitor was made on the implied undertaking that he would not use them for any collateral purpose, breach of which was contempt of court.

The majority in *Harman* held that the reading out of a document in court did not bring the implied undertaking to an end.The "ratio decidendi" was that continuance of the undertaking was of paramount importance to encourage full and unreserved discovery of documents.

In *Crest Homes 1987 3 WLR 293* Lord Oliver said that to secure release from the undertaking it was necessary for the applicant to demonstrate "cogent and persuasive reasons why it should be released".

In *Sybron 1985 Ch 299* Mr Justice Scott said that if the confidential nature of the document had vanished due to public discussion, the court should give weight to that fact when deciding whether to grant leave to use it for a collateral purpose.

While renouncing any suggestion that the new rule had retrospective effect, Mr Legh-Jones for Bibby submitted that it had effected a major policy change and promoted a new discovery regime which fatally undermined the rationale in *Harman*.

He submitted the importance of encouraging full and frank disclosure no longer had paramountcy, because disclosure on discovery would always be subject to the likelihood of the documents being read out in open court and freed from the implied undertaking.

The main majority reasoning in *Harman* was not undermined by the rule,even in the future. It would remain a paramount consideration. If the contrary were so, the value of discovery, which was fundamental in securing in the ends of justice, would be seriously compromised.

Undoubtedly the new rule enacted a new regime, but it was much too early to say how the courts would work it out in practice.

Mr Legh-Jones's submission came perilously close to introducing retrospective effect for the new rule by the back door. Such an effect would be particularly unjust to Cansulex seeing it had no opportunity to safeguard its position under the concluding provision of the rule.

The submission was rejected.

On the other hand, it would not be right to turn a completely blind eye to the rule. The court would take it into account in the exercise of its discretion, in a manner similar to that adopted in *Sybron*.

The new rule could not possibly qualify as a "special" circumstance sufficent in itself to justify release of the implied undertaking.

Mr McLaren for Cansulex pointed out that in all the reported cases on release, intended use of the document was to be by the party giving the undertaking, for his own benefit.

That did not rule out the possibility that a case might arise where it was appropriate to allow release for use by third parties, not for the benefit of the party giving the undertaking.

In exercising its discretion whether to release Bibby and the solicitors from the implied undertaking, the court considered *inter alia* whether the document was still confidential.

Mere publication in open court or in a transcript, did not automatically remove a document's confidentiality.

Although the present document was read out in open court and quoted in the transcript (without listing attenders at the meeting), there was no evidence as to public attendance at the trial, nor of dissemination of the transcript. The Lloyd's List report contained no quotation from,nor reference to the document.

The court was far from satisfied that all the damage had already been done,having regard to the absence of further publication.Nor, on the evidence, did it regard the potential value of the document to Pactolus as very high.

Another consideration was whether release was likely to cause prejudice to Cansulex.

AlleGed corrosion by sulphur was a fruitful field of litigation. Although the purpose of using the document in the arbitration would be to pin knowledge on the respondents, it was highly probable it would become known to all parties and their experts.

There was no evidence of likely deliberate impropriety,but there must be a real risk that the document might receive further dissemination to Canulex's detriment. There was risk of prejudice to Cansulex.

Those considerations told against grant of the application. Even taking account of Order 24 rule 14A, the arguments in favour fell far short of the "cogent and persuasive" reasons required to justify release.

The application was refused.

For Bibby:Nicholas Legh-Jones (Holman Fenwick & Willan)

For Cansulex: MD McLaren (Linklaters & Paines)

By Rachel Davies
Barrister

COMMODITIES AND AGRICULTURE

Drive to bolster lobster supplies

BY DAVID BLACKWELL

THE FIRST round-up of lobsters that have been returned to the wild in an experimental "ranching" scheme by the Seafish Industry Authority is still a couple of years away.

But the experiment, launched in 1984, has been enough of a success so far for the authority to be releasing another 3,800 four-month-old specimens into Scapa Flow in the Orkney Islands today. They will need to survive the perils of the wild for at least five years before they are brought to the table.

The baby lobsters, which are only about three centimetres long, have been reared in captivity at the authority's marine farming unit in Ardtoe, Argyll. The Seafish Industry Authority - a statutory body charged with looking after the industry from the catcher to the table - is running the experiment with the aim of enhancing the availability of stock for commercial fishermen. Last year Scotland's lobster catch was 550 tonnes, worth £4.14m.

A similar experiment aimed at increasing salmon stocks by breeding the fish in captivity and returning the youngsters to the wild has been carried out successfully in Alaska in the US - hence the term "ranching".

Mr Jeremy Cresswell, of the Seafish Authority, said a team of three divers would release the lobsters in five sites around Scapa Flow at depths of 15 to 25 metres "in order to help them into a dangerous world".

Each youngster has been tagged, despite its tiny size, using an injection method which allows it to retain the tag when it sloughs its shell. Local fishermen have proved that it is possible to trap and identify the tagged lobsters.

The project has been backed by both the Highlands and Islands Development Board and the Orkney Islands Council.

Meanwhile the authority's halibut farming project has taken a step forward with the formation of The British Halibut Association, which aims to support the development of commercial halibut cultivation in the UK.

Last summer the authority succeeded in breeding halibut for the first time at the Ardtoe research unit. The new association, which has 20 members drawn from the fish farming industry, will provide backing for the authority to collect further potential broodstock from the wild, and to continue breeding and rearing trials.

EC outlines plan to delay hormones ban

BY WILLIAM DAWKINS IN BRUSSELS

THE EUROPEAN Commission yesterday put forward outline plans to allow EC member states to delay imposing a total ban on beef treated with growth-promoting hormones.

The proposal, put forward to a meeting of the joint veterinary committee of Commission and national officials, marks a step towards defusing a potential trade row with the US. While the Committee did not agree on a final deal yesterday, it was the Brussels authorities' first official indication that there is room for compromise.

The committee is due to meet again at the end of the week to try to tie up the details. These include how long member states should be allowed to defer applying the prohibition, probably a year to 18 months. Under the outline proposals, EC Governments would be allowed to continue imposing their own national rules on hormones in food until the overall ban comes into force.

Washington was outraged by the proposed ban, formally due to come into effect next January, because it could prevent the sale of more than $130m worth of hormone-fattened US meat to the Community. While the US would gladly accept a temporary delay, it would continue to press during the period for an outright end to the hormone prohibition.

Yet Commission officials emphasised that the transitional arrangements did not affect the principle that there would eventually be a hormones ban, as agreed by EC Agriculture Ministers nearly two years ago. That suggests that even if the EC and the US do agree this week, the deal will have at best bought the Community more time.

Although the diplomatic pressure from Washington for a period of grace has been considerable, there is also an important practical justification for delaying a hormones ban. There is so much hormone impregnated beef on the hoof and in store that it would take some EC member states several years to effect their own ban.

Beefing up Britain's dairy herds

FARMER'S VIEWPOINT

By John Cherrington

AS A consequence of the gradual reduction in dairy cow numbers following the EC's imposition of milk quotas in 1984 the limited number of calves available for rearing is beginning to be reflected in a very fast trade for those needed for veal production. This has been particularly marked in British livestock markets, where prices for Friesian bull calves in October were about 30 per cent higher than at the same period last year.

The trend has been supported by a very strong demand from France and the Netherlands. British live calf exports are running at twice last year's level and with autumn being the peak period for calvings in Britain it looks as though the trade will continue to be very brisk until the new year.

It would seem sensible for farmers in Britain to rear the calves themselves to export as carcases to the Continent, where veal consumption is much higher. UK consumption is about 40,000 head a year compared with 7m in the rest of the EC. When questioned on this point some veal producers here claim that the Europeans use growth promoters, implying that they are banned in this Britain. This is not yet true, although there may be an EC ban in force by the early 1990's.

They also point to the much criticised veal crates common on the Continent, in which the animals so tightly confined that they cannot turn round. The use of these crates is repugnant to many observers, myself included. I am used to rearing calves on straw. Again there are as yet no overal EC rules on housing. It would in fact be a bit naive to expect the veal rearing countries to agree to a major change of housing in the short term, because of the cost of scrapping and replacing millions of crates.

There should be no real difference in feed costs as the milk powder which is a major constituent of calf food is traded in an EC-wide market - any differences is due to the relative efficiencies of the production and marketing systems. Here again the small size of the UK market and its fragmented production base are major disadvantages. In France the industry is well integrated, with either co-operatives or large companies supplying farmers with calves and feed; supervising their developement; and finally selling them on to a very strong market.

The strength of demand was well illustrated when French consumers shrugged off warnings that a proposed ban on growth promoters would raise the price of veal by 15 per cent. They were not willing lose a favourite item of their diet for the sake of a few francs on the shopping bill, it appeared. If it could be proved to them that a growth promoter ban would be good for their health they seemed to accept it.

Strong export demand for veal calves has come as a welcome bonus to UK dairy farmers. Most dairy herds today are of Friesian or Holstein breeds which do not rear very satisfactorily into mature beef carcases - although when crossed with beef breeds they can produce very satisfactory animals for fattening. But dairy farmers have to breed a large proportion of their cattle to the pure breeds in order to secure enough heifers for replacement cows, and as about half the calves born are heifers there will always be bulls to be dispose of.

Pure Friesian or Holstein calves have poor conformation and are difficult to make into an acceptable butchers carcases. Once crossed with a beef breed, however, the resulting calf will make an acceptable beef animal which can make a fair export price, even better in some cases than the pure Friesian. But this applies only to the male animals, the heifer calves mature too soon and are often too fat.

Should the export trade for Friesian calves be maintained with a premium over crossbreds it is quite probable that pure breeding will become the rule and there could be a decline in the numbers of cattle reared for beef from the dairy herd by cross breeding as at present.

According to an estimate by Agra Europe, the Brussels based intelligence agnency, the total cattle herd in the EC will be down by about 3.5m head, or 15 per cent, by 1989. But there is no danger of the EC running out of beef in the near future as there are still large stocks in intervention stores and there could well be a degree of importation from third countries.

It is worth speculating on how the supply of calves could be increased without increasing the community cattle herd and the danger of adding to the beef mountain. This could be achieved by increasing the twinning capacity of the dairy cow. This was tried about 40 years ago in this country with the aim of rebuilding the cattle herd which had been run down during the war and the results were quite interesting. It was found that while it was possible to increase the number of embryos in a cow by hormone treatment their numbers could not be controlled.

This led to multiple births of "unthrifty" calves. I knew one vet who had spent some time going round farms on which the experiment had been tried terminating the pregnancies. There always was a prejudice against twin calves because of the drain they imposed on their mothers, but there is no doubt that with modern nutritional knowledge that problem could be overcome. Modern techniques have also removed the necessity of natural conception. Transplantation of ova is well developed now and could, no doubt, be adapted to mass production if the the incentives were right.

An interesting sidelight on this situation has been a very recent increase in the export of store lambs to France. Apparently some of the calf-buying co-operatives are looking for other stock to handle as the supply of calves shrinks, which would be the best thing to sustain Britain's lamb trade should the sheep regime be altered in the way in which we fear it will be.

Irish company in mineral sands venture

By Kenneth Gooding

KENMARE RESOURCES, the Dublin-based mineral and natural resources company, has agreed a 50-50 joint venture with the Geological Survey of Yugoslavia (GEO) to develop a mineral sands deposit in Mozambique.

The company says that during the past five years GEO has identified proven reserves of 28m tons or ore with an average grade of 8 per cent mineralisation. It claims the current market value of the 2.2m tons of heavy minerals in the proven reserves is about $100m.

The deposit occurs between the towns of Angoche and Sangage on the Northeast coast of Mozambique in a strip of coastal dunes. Kenmare says the heavy mineral concentrate yields the following average constituents: zircon 4.4 per cent; titano-magnetite 8.1 per cent; ilmenite 83.6 per cent; rutile 2.6 per cent; monazite 1.3 per cent.

Metallurgical tests indicate possible recovery rates of 85 per cent to 90 per cent, the company states.

LME WAREHOUSE STOCKS
(Change during week ended last Friday)
tonnes

Aluminium standard	−1,025	to	57,700
Aluminium high grade	+ 750	to	46,850
Copper	−5,850	to	59,700
Lead	− 700	to	15,850
Nickel	+ 300	to	3,150
Zinc	− 75	to	34,850
Tin	− 285	to	19,930
Silver (oz).	+ 182,000	to	28,066,000

Wheat insurance blow for Australian growers

BY CHRIS SHERWELL IN SYDNEY

EMBATTLED AUSTRALIAN wheat farmers face an unexpected increase in their costs because of a decision by the Australian Government to raise premiums and reduce insurance cover for the country's wheat exports.

The move is a blow at a time when Australian growers have already reduced plantings and sought alternative crops because of weak prices in the oversupplied world market.

This year Australia, which regularly ranks around third or fourth in world wheat and flour exports, is expected to produce less than 14m tonnes compared with 22m tonnes in 1983-84. Exports will amount to some 11-12m tonnes.

Under the new insurance terms, premiums have been increased by 25 per cent for most countries but by 50 per cent for exports to Egypt and Iraq, Australia's two largest credit customers. Another 15 per cent concession - a type of "no claims bonus" - has been removed.

The Government has also cut the cover provided by the insurance. It will now cover a flat 80 per cent of repayments. Previously it covered 85 per cent in the first year and 95 per cent in the second and third years.

According to the Australian Wheat Board, which handles the country's wheat exports, the decisions will cost wheat growers A$5m (£1.96m) a year and are designed simply to swell the Government's own coffers and reduce contingent risk.

Egypt, for example, has been seeking to reschedule its external debt, and this includes repayments due to Australia for wheat sales made on credit terms.

Mr Clinton Condon, the Board's chairman, said the Government's move failed to acknowledge the "extremely competitive" credit arrangements offered by the governments of competing wheat exporters - in some cases with cover up to 100 per cent.

Credit sales of wheat would account for some 30 per cent of Australian wheat exports this year, the Board said, and were an important factor in world wheat trade. Australia's rates should therefore be kept competitive.

"None of our customers who purchase wheat on credit has ever failed to make their payments," Mr Condon said. "The increase in premiums fails to recognise the payment performance of our credit customers over a 15-year period."

Customers would have difficulty understanding the decision, as would wheatgrowers, the Board said.

●Overall demand for Australian wool is likely to remain strong into 1988 despite a sudden price drop in the market last week, according to the Australian Council of Wool Exporters, Reuter reports from Sydney.

Palestine's olive oil disaster

BY ANDREW WHITLEY IN JERUSALEM

PALESTINIAN OLIVE growers in the Israeli-occupied West Bank face near disaster this season, after last year's record production of 148,000 tonnes. Imports of olive oil will be required simply to meet local consumption needs.

As the olive harvesting season got underway this week in the region's stony uplands, gloomy preliminary forecasts suggested that production of this staple crop might plunge as low as 7,500 tonnes - half the level normally labelled as "a bad year".

Olive trees typically frustrate their owners with a two-year "feast and famine" cycle. But over the past two years the peaks and trough have been more accentuated than anyone can remember. After a poor crop of only 20,000 tonnes in 1985, this time last year construction sites throughout Israel were being temporarily abandoned as Arab workers hurried back to their home villages to help out with the harvesting of what would clearly be a monster harvest.

According to Israel's Central Bureau of Statistics, the result was a two thirds increase in agricultural production in the West Bank, and a nine per cent rise in disposable personal income over the two-year period, 1985 and 1986. In 1986, exports of olive oil from the West Bank to Jordan - from where it is distributed to other Arab countries - reached USD 22.3m. Pickled olives added another USD 2.3m.

This week, the meagre fruits to appear on the trees tell a very different story: the output of olives is averaging no more than 100 kilogrammes per hectare. With approximately 72,500m hectares planted with mature olive trees, the results can already be predicted with confidence.

Out of the forecast 7,500 tonnes of olives, some 2,500 tonnes are destined for canning and bottling. The balance will be converted into oil, producing about 1,250 tonnes.

Cocoa producers study export quota system

LEADING COCOA producers ended a meeting in Lagos on Friday after considering a system of export quotas as part of measures to support world prices, Reuter reports.

"Several measures including export quotas were discussed", Mr Dosseh Noameshie, president of the 11-member Cocoa Producers Alliance told journalists at the end of the week-long meeting, but he gave no details.

The Lagos meeting was the 49th twice-yearly general assembly of members of the CPA usually held to co-ordinate sales policies to support world prices.

CPA members together account for 85 per cent of world output. The major Asian growers, Malaysia and Indonesia are not members.

An official communique at the end of the meeting said "the alliance considered some possible measures for the improvement of cocoa prices." It did not detail the measures.

Delegates said the conference resolved not to reveal its strategy before meeting consumers at the International Cocoa Council Organisation (ICCO) conference set to begin in London on December 4.

The ICCO brings together consumers and producers.

INDICES

REUTERS (Base: September 18 1931 = 100)

	Nov 6	Nov 5	month ago	year ago
	1656.1	1641.0	1671.3	1613.4

DOW JONES (Base: September 18 1931 = 100)

Spot	128.55	125.79	127.29	121.58
Futures	129.02	127.58	133.09	121.07

LONDON MARKETS

COPPER PRICES continued Friday's strong advance during morning trading on the London Metal Exchange, establishing a backwardation, or cash premium over the three-month forward price of more than £200 a tonne. The bull trend was further boosted by the seventh successive decline in stocks at the LME warehouses last week. They fell by 5,975 tonnes to 62,250 tonnes - the lowest level since early in 1974. The fall, which was widely expected in the market, was not as steep as some traders had anticipated. However, prices fell sharply in theafternoon following the further downturn in the stock markets. Trading featured aggressive profit-taking and more enthusiastic lending - that is, selling cash and buying forward. Cash copper was £10 down at the close, while the three-month price added £10, leaving the cash premium at £172.50 a tonne.

Some analysts expect the premium to widen to around £250 a tonne before investors are likely to release metal to the market in any significant quantity.

Aluminium prices continued their decline, with a smaller than expected fall in LME stocks last week helping the trend. Talk in the market that the International Primary Aluminium Institute's September stocks figure, due out today, could show a fall of between 60,000 to 80,000 tonnes over August failed to halt the decline.

LONDON BULLION MARKET

Gold (fine ounce)

	$ price	£ equivalent
Close	463½-464	258½-259
Opening	461-462	259-259½
Morning fix	463½	260.101
Afternoon fix	463½	258.489
Day's high	464¼-465	
Day's low	461½-462	

Gold & Platinum Coins

	$ price	£ equivalent
US Eagle	477-482	266-269
Maple leaf	477-4482	266-269
Krugerrand	462-465	257-259
1/2 Krug	240-249	133.70-38.72
1/4 Krug	119-127	66.30-70.75
Angel	474-479	264.07-6.85
1/10 Angel	47-52	26.18-28.97
New Sov.	109-110	60¾-61½
Old Sov.	109-110½	60¾-61¾
Britannia	477-482	266-269
Noble Plat	513-523	287½-293

Silver (fine ounce)

	UK pence	US cts equiv
Spot	373.70	666.10
3 months	381.65	678.10
6 months	389.35	690.85
12 months	405.95	717.15

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)

Strike price $ tonne	Calls Oct	Calls Nov	Puts Oct	Puts Nov

Aluminium (99.5%)

Strike price $ tonne	Calls Jan	Calls Mar	Puts Jan	Puts Mar
1575		89		
1650	73			

Copper (Grade A)

Strike price $ tonne	Calls Jan	Calls Mar	Puts Jan	Puts Mar
2000		150		
2150	107½			

Copper (Grade A)

Strike price £ tonne	Calls Jan	Calls Mar	Puts Jan	Puts Mar
1175	45			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 1,000 tonne
Cash	1675-85	1740-50		1690-710		
3 months	1625-35	1670-80	1645/1635	1635-45	unquoted	2,468 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 17,325 tonne
Cash	935-40	973-6	956/950	949½-50½		
3 months	900-01	924.5-5.5	925/891	909-10	891-2	62,500 lots
Copper, Grade A (£ per tonne)						Ring turnover 43,800 tonne
Cash	1330-5	1340-5	1380/1375	1380-5		
3 months	1159-61	1149-51	1185/1140	1184-5	1140-1	83,377 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1275-80	1300-10		1335-45		
3 months	1159-61	1130-40		1150-5		39 lots
Silver (US cents/fine ounce)						Ring turnover 80,000 ozs
Cash	653-6	643-6		662-5		
3 months	656-8	654-7		675-8	665-8	585 lots
Lead (£ per tonne)						Ring turnover 8,725 tonne
Cash	350-2	361-2	353	353-4		
3 months	339.5-40	342-3	343/335	335-5.5	337-8	12,438 lots
Nickel (£ per tonne)						Ring turnover 2,106 tonne
Cash	3175-85	3170-80		3150-200		
3 months	3155-60	3156-60	3175/3155	3170-2	3165-75	8,098 lots
Zinc (£ per tonne)						Ring turnover 6,250 tonne
Cash	483-4	467-8		462-3.5		
3 months	484-5	467-8	469/459	469-3.5	459-60	14,743 lots

SPOT MARKETS

Crude oil (per barrel FOB November)		+ or -
Dubai	16.45-16.50y	−0.25
Brent Blend	17.55-17.60	−0.375
W.T.I. (1 pm est)	18.60-18.65y	−0.40

Oil products (NWE prompt delivery per tonne CIF December)		+ or -
Premium Gasoline	181-183	−1
Gas Oil	160-161	−3
Heavy Fuel Oil	93-94	
Naphtha	155-157	−3
Petroleum Argus Estimates		

Other		+ or -
Gold (per troy oz)	$463.75	+3.25
Silver (per troy oz)	373.70p	+15.50
Platinum (per troy oz)	$499.75	+18.25
Palladium (per troy oz)	$109.75	+1.75
Aluminium (free market)	$1695	
Copper (US Producer)	97.50c	
Lead (US Producer)	42.00c	
Nickel (free market)	269c	
Tin (European free market)	£3982.5	+2.50
Tin (Kuala Lumpur market)	17.39r	+0.08
Tin (New York)	327.50c	+1.00
Zinc (Euro. Prod. Price)	$820	
Zinc (US Prime Western)	43.375c	
Cattle (live weight)†	99.61p	+2.22*
Sheep (dead weight)†	199.15p	+17.94*
Pigs (live weight)†	75.25p	+0.25*
London daily sugar (raw)	$185.60x	+1.00
London daily sugar (white)	$194.00x	−0.60
Tate and Lyle export price	£209.50	+0.50
Barley (English feed)	£108.00	−0.25
Maize (US No. 3 yellow)	£132.00	
Wheat (US Dark Northern)	£97.25	−0.75
Rubber (spot)¶	59.75p	−0.25
Rubber (Dec)¶	62.00p	−0.50
Rubber (Jan)¶	62.50p	−0.50
Coconut oil (Philippines)§	$475.00x	−12.50
Palm Oil (Malaysian)§	$365.00	+15.00
Copra (Philippines)§	$315.00	
Soyabeans (US)	$136.00	+1.50
Cotton "A" index	75.10c	
Wooltops (64s Super)	515p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lbs. r-ringgit/kg. v-Jan/Mar. x-Nov/Dec.y-Dec. z-Jan/Feb. † Meat Commission average fatstock. * change from a week ago. ¶ London physical market. § CIF Rotterdam

GAS OIL $/tonne

	Close	Previous	High/Low
Nov	159.75	162.50	160.75 159.25
Dec	160.50	163.25	161.50 159.75
Jan	160.00	163.00	161.00 159.50
Feb	158.00	161.50	160.00 157.75
Mar	154.50	160.00	155.50 154.00
Apr	153.00	156.00	153.00 153.00

Turnover 5030 (3744) lots of 100 tonnes

FREIGHT FUTURES £/index point

	Close	Previous	High/Low
Jan	1225.0	1240.0	1235.0 1225.0
Apr	1255.0	1289.5	1260.0 1252.0
Jly	1119.0	1130.0	1125.0 1119.0
BFI	1175.0	1175.0	1175.0

Turnover 170 (90)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Nov	109.80	110.00	109.80 109.80
Jan	111.90	112.15	112.00 111.90
Mar	113.90	114.15	114.00 113.90
May	116.15	116.40	116.25 116.15
Jly	118.60	118.65	118.60 118.50
Sep	103.00	102.50	103.00 103.00
Nov	104.85	104.45	104.85 104.60

Barley	Close	Previous	High/Low
Nov	104.45	104.80	104.55 104.45
Jan	106.80	107.10	106.90 106.75
Mar	109.05	109.30	109.15 109.00
May	110.80	110.85	110.80 110.70
Sep	99.00	99.00	99.00
Nov	101.00	101.00	101.00 99.00

Turnover: Wheat 154 (119), Barley 52 (162), lots of 100 tonnes.

COCOA £/tonne

	Close	Previous	High/Low
Dec	1092	1092	1099 1091
Mar	1126	1126	1132 1124
May	1148	1147	1153 1146
Jly	1168	1168	0 0
Sep	1187	1186	1192 1186
Dec	1211	1213	1217 1210
Mar	1235	1236	1241 1234

Turnover: 1836 (3494) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for November 9: 1427.59 (1418.79). 10 day average for November 10: 1449.30 (1446.51).

POTATOES £/tonne

	Close	Previous	High/Low
Nov	84.0	83.0	82.0
Feb	102.0	102.0	
Mar	92.0	91.0	
Apr	164.0	150.5	164.5 163.0
May	166.2	163.8	166.1 167.5
Nov	90.0	89.3	

Turnover 577 (354) lots of 100 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Dec	132.00	131.50	131.50 131.50
Feb	132.00	131.00	131.50 131.50
Apr	131.50	131.00	131.00 131.00
Jun	123.50	122.00	122.50 122.50
Aug	121.00	121.00	
Oct	122.50	123.50	
Dec	125.00	127.00	

Turnover 95 (381) lots of 100 tonnes.

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Dec	17120	16400	16500 16440
Mar	17720	17100	17760 17040
May	17740	17160	17800 17100
Aug	17740	17320	17720 17260
Oct	17820	17440	17840 17380
Dec	17960	17700	0 0
Mar	18600	18300	0 0

White	Close	Previous	High/Low
Dec	203.00	196.00	197.00 194.70
Mar	207.50	201.50	206.00 200.20
May	212.00	206.00	210.00 205.00
Aug	217.00	209.50	212.00 209.00
Oct	218.00	210.20	212.50 210.20
Dec	220.00	211.70	
Mar	222.00	217.00	

Turnover: Raw 2254 (1296) lots of 50 tonnes. White 1655 (1572).
Paris- White (FFr per tonne):Dec 1100, Mar 1148, May 1175, Aug 1211, Oct 1210,Dec 1220.

COFFEE £/tonne

	Close	Previous	High/Low
Nov	1253	1246	1249 1236
Jan	1285	1278	1289 1268
Mar	1309	1306	1310 1296
May	1335	1330	1334 1321
Jly	1353	1345	1355 1345
Sep	1380	1375	1370 1370
Nov	1400	1395	0 0

Turnover: 1877 (3461) lots of 5 tonnes
ICO indicator prices (US cents per pound) for November 6 :Comp. daily 115.09 (113.25). 15 day average 112.18 (112.00).

TEA

There were 26,033 packages on offer in this week's London tea auction including 3,200 packages in the offshore section, reports the Tea Brokers' Association. Quality Assams continued to meet fair competition though prices were irregular, but plainer sorts were still rather weak. Best liquoring East Africans again came in for good demand and often gained 5-15p while coloury mediums ruled firm to dearer. Selected Central Africans held firm but the remainder tended easier. Ceylons were well supported and improved types advanced. Brighter offshore teas moved 10-15p higher but others were generally 3-5p down. Quotations: quality 167p a kg (175p), medium 104p (102p), low medium 82p (84p).

US MARKETS

Persistent trade buying in gold and silver kept both markets firm throughout the day before prices eased towards the close on commission selling and local long-liquidation, reports Drexel Burnham Lambert. Platinum was quiet but rallied on short-covering. Copper eased as the market underwent a profit-taking correction to last week's strength. Crude oil was quiet, the API convention keeping some players away from the market, but eased on commission house selling, though trade buying underpinned prices. Cocoa rallied on early arbitrage and speculative buying before light trade and local selling eased prices. Trade and commission house buying firmed prices towards the close. Fund buying in sugar touched off stops as the market rallied, but price-fix selling emerged to ease prices before trade buying took prices back to the highs again. Cotton closed early in advance of yesterday's crop report (expectations for domestic acreage: 13.4-13.6m) easing on local and commission house selling before short-covering emerged. There was a meal-led rally in the soya complex on reports of East bloc buying interest, but the beans failed to make significant headway reflecting overlying US Government offerings. Maize was firm, influenced by the rally in soyameal. Wheat had an easier tone on confirmation of US Government sales out of inventory, but traders noted that the market was near the low end of a trading range and forward contracts revealed some strength. The meats were mixed, higher in the nearby contracts and lower in the forwards. Spread activity in otherwise quiet markets was the only feature, despite firmer cash values.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Nov	461.9	460.7	
Dec	463.3	462.1	466.0 462.1
Jan	465.8	464.6	
Feb	469.1	467.9	472.0 469.0
Apr	474.7	473.6	477.8 474.5
Jun	480.3	479.3	482.8 480.0
Aug	486.1	485.2	488.3 486.5
Sep	460.0	480.0	461.0 461.0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	165.00	165.00	165.00 164.90
Jan	158.75	156.10	158.00 155.60
Mar	154.40	153.60	155.00 153.60
May	154.00	153.80	154.60 153.80
Jly	154.25	153.85	154.00 153.85
Nov	151.65	151.25	0 0
Jan	150.90	150.50	0 0
Mar	150.90	150.50	0 0

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
Dec	1834	1821	1835 1819
Mar	1867	1854	1868 1851
May	1896	1885	1897 1884
Jly	1926	1916	1929 1916
Sep	1956	1946	1955 1948
Dec	1992	1983	1990 1990
Mar	2026	2015	2026 2026

COPPER "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
Dec	127.10	126.48	127.65 126.40
Mar	131.56	130.57	131.96 130.60
May	133.05	132.70	134.00 133.00
Jly	134.75	133.75	135.25 134.15
Sep	135.74	135.03	136.00 135.60
Dec	136.38	136.25	0 0
Mar	136.00	136.00	0 0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Nov	96.10	98.45	99.00 98.20
Dec	94.70	95.50	96.40 93.00
Jan	92.45	93.50	93.50 93.50
Mar	86.00	89.55	89.80 87.40
May	84.00	85.55	85.80 83.20
Jly	82.00	83.55	83.50 82.00
Sep	80.40	81.85	82.00 80.00
Dec	79.70	81.00	81.50 79.70
Jan	79.60	80.90	0 0
Mar	79.50	80.80	81.80 81.00

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Nov	497.5	488.4	505.0 493.0
Dec	500.1	490.8	0 0
Jan	502.6	492.9	509.0 498.0
Apr	510.6	501.1	516.0 505.5
Jly	518.6	509.1	524.0 513.5
Oct	526.6	517.1	530.0 526.0
Jan	535.1	525.6	0 0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Nov	651.3	647.2	0 0
Dec	654.0	650.0	671.5 652.0
Jan	656.0	653.9	666.0 666.0
Mar	667.7	663.5	685.0 666.0
May	676.3	672.1	691.0 673.0
Jly	685.0	680.8	702.0 684.0
Sep	694.2	689.8	700.0 697.5
Dec	709.0	704.3	720.0 713.0
Jan	713.6	708.9	0 0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
Jan	7.27	7.06	7.29 7.00
Mar	7.93	7.59	7.94 7.59
May	7.91	7.66	7.92 7.64
Jly	7.91	7.71	7.92 7.67
Oct	8.01	7.79	8.02 7.78
Jan	8.27	8.06	0 0
Mar	8.26	8.14	8.28 8.04

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
Dec	67.55	67.26	67.80 66.30
Mar	68.70	68.47	68.75 67.67
May	69.40	69.33	69.55 68.49
Jly	69.40	69.15	69.40 68.50
Oct	66.36	66.95	65.70 65.06
Dec	64.07	64.57	64.45 63.96
Mar	65.40	65.50	65.58 65.26

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low
Dec	18.60	18.87	18.70 18.53
Jan	18.56	18.79	18.65 18.49
Feb	18.51	18.73	18.60 18.45
Mar	18.50	18.72	18.58 18.43
Apr	18.46	18.70	18.52 18.38
May	18.42	18.69	18.40 18.35
Jun	18.35	18.75	18.35 18.35
Jly	18.30	18.60	18.33 18.30
Aug	18.26	18.55	18.30 18.28
Sep	18.30	18.51	18.28 18.28

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low
Dec	54.95	56.25	56.05 54.60
Jan	54.45	54.95	54.60 54.15
Feb	53.80	54.30	54.05 53.50
Mar	51.90	52.50	52.10 51.70
Apr	50.10	50.70	50.25 50.05
May	48.80	48.80	48.81 48.80
Jun	48.75	49.50	49.00 48.60
Jly	48.73	48.35	48.85 48.75
Aug	50.30	50.00	50.30 50.30
Sep	50.75	50.10	50.75 50.75

Chicago

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
Dec	17.51	17.76	17.82 17.49
Jan	17.86	17.94	18.00 17.65
Mar	18.01	18.28	18.33 18.00
May	18.28	18.55	18.60 18.28
Jly	18.49	18.75	18.80 18.48
Aug	18.57	18.85	18.82 18.55
Sep	18.60	18.85	18.90 18.60
Oct	18.65	18.86	18.85 18.65
Dec	18.90	18.95	19.05 18.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
Dec	188.6	184.1	188.8 185.0
Jan	182.4	178.3	182.7 179.2
Mar	177.5	173.5	177.5 174.1
May	173.8	170.1	174.0 171.0
Jly	171.7	168.0	171.8 168.7
Aug	171.7	168.0	171.7 168.5
Sep	169.0	166.0	169.5 168.0
Oct	167.7	166.0	168.3 167.5
Dec	167.5	165.3	168.5 167.5

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
Dec	284/4	285/6	286/0 282/0
Mar	298/4	296/2	299/0 295/0
May	299/0	299/0	301/4 297/0
Jly	285/6	284/4	287/0 283/0
Sep	290/0	289/0	290/0 290/0
Dec	299/0	299/0	0 0

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low
Dec	43.62	43.22	43.75 43.10
Feb	42.37	42.37	42.65 42.20
Apr	39.37	39.57	39.80 39.35
Jun	42.62	42.77	42.87 42.57
Jly	42.85	42.75	43.05 42.75
Aug	41.70	41.85	41.95 41.67
Oct	39.12	39.06	39.20 39.10
Dec	39.55	39.55	39.55 39.55

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
Dec	180/0	180/2	181/0 179/6
Mar	185/2	184/6	186/2 185/0
May	190/2	189/4	191/0 189/6
Jly	194/0	193/6	195/0 193/6
Sep	192/4	192/4	193/6 192/2
Dec	192/4	192/4	193/4 191/4
Mar	197/4	197/0	198/0 197/0

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
Feb	55.45	55.05	55.77 54.85
Mar	55.32	54.90	55.50 54.47
May	56.62	56.10	56.70 55.80
Jly	56.45	56.20	56.60 56.00

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
Nov	545/2	545/4	547/0 544/0
Jan	553/2	551/4	555/4 551/4
Mar	559/0	557/2	562/0 557/2
May	563/2	563/2	563/4 560/0
Jly	563/2	560/6	565/2 561/0
Aug	560/0	559/0	563/2 560/0
Sep	553/0	551/0	554/0 552/0
Nov	551/2	548/4	551/6 548/4
Jan	557/6	555/0	0 0

LIVE CATTLE 40,000 lbs; cents/lbs.

	Close	Previous	High/Low
Dec	63.62	63.45	63.80 63.12
Feb	60.77	61.05	61.35 60.30
Apr	63.30	63.80	63.95 63.05
Jun	63.20	63.85	63.90 63.00
Aug	61.67	62.25	62.40 61.25
Oct	60.50	60.90	61.10 60.20
Dec	61.75	62.10	61.75 61.40

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar hits record lows

THE DOLLAR continued along its downward path yesterday. There were no new factors, just the strong conviction that the US budget and trade deficits will remain a problem and that the Reagan Administration prefers to let the dollar fall, rather than provoke a recession.

Central bankers held a regular meeting of the Bank for International Settlements in Basle, and dealers were wary of any official comments about the dollar's plight.

No major decisions were expected however, only the putting together of a framework for a meeting of Group of Seven finance ministers from the leading industrial nations.

The weak dollar reflects fears that the White House and Congress will only agree Budget cuts of $23bn, under the Gramm Rudman bill, and not the figure of around $40bn needed to reassure the market.

Thursday's US trade figures for September are also not expected to provide a better background for the dollar. The deficit is forecast to remain high, at around $14bn to $15bn, compared with $15.68bn in August.

The dollar fell to a record closing low of DM1.6590 from DM1.6750; to a record Y134.25 from Y135.35; to FFr5.63 from FFr5.6950; and to SFr1.3635 from SFr1.3810.

STERLING-Trading range against the dollar in 1987 is 1.7950 to 1.4710. October average 1.6620. Exchange rate index fell 0.1 to 75.6, compared with 73.6 six months ago.

Sterling rose against the weakening dollar and eased a little in terms of other major currencies, but was generally on the sidelines. Attention remained focused on the dollar.

There was virtually no reaction to October UK producer prices. Output prices rose more than expected, at 0.5 p.c., but input prices fell by a larger than forecast 0.4 p.c.

Sterling rose 1.20 cents to $1.7945-1.7955, the highest closing level since June 1982. On the other hand the pound fell to DM2.9775 from DM2.9875; to FFr10.1050 from FFr10.1550; to SFr2.4475 from SFr2.4625; and to Y240.75 from Y241.25.

D-MARK-Trading range against the dollar in 1987 is 1.9305 to 1.6590. October average 1.8011. Exchange rate index 151.5 against 147.0 six months ago.

The Bundesbank did not intervene when the dollar was fixed at a record low of DM1.6719 in Frankfurt, compared with DM1.6785 on Friday.

Bank of France intervention to support the franc against the D-Mark in the European Monetary System was illustrated by a fall of FFr9.02bn to FFr102.46bn in September French foreign currency reserves.

In Brussels the Belgian National Bank was estimated to have sold DM35m to DM60m when the Belgian franc was fixed lower at BFr20.9360 to the D-Mark, against BFr20.93 on Friday.

JAPANESE YEN-Trading range against the dollar in 1987 is 159.45 to 134.20. October average 143.27. Exchange rate index 228.9 against 226.8 six months ago.

The yen was a little firmer against the dollar in Tokyo. Intervention by the Bank of Japan prevented the US currency falling towards its record trading low of Y134.40. This was estimated at a relatively modest $200m to $300m.

Dealers were reluctant to push the dollar down too far, ahead of the central bankers meeting in Basle. The US budget deficit continued to depress the currency, and the market was nervous ahead of Thursday's US trade announcement.

The dollar closed at Y135.00 in Tokyo, compared with Y135.50 on Friday.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Nov.9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.1788	+1.70	+0.93	±1.5344
Danish Krone	7.85212	7.95561	+1.32	+0.77	±1.6404
German D-Mark	2.05853	2.06241	+0.19	-0.58	±1.0981
French Franc	6.90403	7.00081	+1.40	+0.63	±1.3674
Dutch Guilder	2.31943	2.32003	+0.03	-0.74	±1.5012
Irish Punt	0.768411	0.775416	+0.91	+0.14	±1.6684
Italian Lira	1483.58	1522.00	+2.59	+2.27	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.9	Latest	Previous Close
£ Spot	1.7905-1.7915	1.7865-1.7875
1 month	0.32-0.30pm	0.35-0.34pm
3 months	0.68-0.64pm	0.72-0.69pm
12 months	1.85-1.75pm	2.12-2.02pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.9	Previous
[illegible]	[illegible]	[illegible]

CURRENCY RATES

Nov.9	Bank rate %	Special Drawing Rights	European Currency Unit
[illegible]	[illegible]	[illegible]	[illegible]

*CS/SDR rate for Nov.9 1.78337

CURRENCY MOVEMENTS

Nov.9	Bank of England Index	Morgan Guaranty Changes %
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

Nov.9	£	$
Brazil	100.40-101.95	56.2700-57.0750
Finland	7.3265-7.3395	4.1090-4.1110
Greece	232.75-236.75	130.50-132.90
Hong Kong	13.9420-13.9615	7.8070-7.8080
Iran	121.45*	67.75*
Korea(Sth)	1422.98-1435.15	796.30-802.70
Kuwait	0.49200-0.4925	0.27580-0.27590
Luxembourg	62.60-62.70	34.85-34.95
Malaysia	4.4570-4.4675	2.4960-2.4980
Mexico	2939.90-2950.50	1647.00-1652.00
N. Zealand	2.8440-2.8540	1.5925-1.5950
Saudi Ar.	6.6860-6.6910	3.7480-3.7485
Singapore	3.6590-3.6600	2.0490-2.0500
S. Af (Cm)	3.4810-3.4965	1.9530-1.9570
S. Af (Fn)	5.8030-5.9985	3.2520-3.3625
Taiwan	53.30-53.60	29.80-29.90
U.A.E.	6.5515-6.5575	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Nov.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7775-1.7970	1.7945-1.7955	0.33-0.31c pm	[illegible]	[illegible]	[illegible]
Canada	2.3462-2.3705	2.3690-2.3700	0.12-0.01c pm	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Nov.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EURO-CURRENCY INTEREST RATES

Nov.9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXCHANGE CROSS RATES

Nov.9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£ / $	1. / 0.557	1.795 / 1.	2.978 / 1.659	240.8 / 134.1	10.11 / 5.630	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DM / YEN	0.336 / 4.154	0.603 / 7.456	1. / 12.37	80.85 / 1000.	3.394 / 41.97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
F Fr. / S Fr.	0.990 / 0.409	1.776 / 0.733	2.947 / 1.217	238.2 / 98.37	10. / 4.129	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
H Fl. / Lira	0.299 / 0.455	0.536 / 0.817	0.889 / 1.355	71.87 / 109.5	3.016 / 4.597	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C $ / B Fr.	0.422 / 31.59	0.758 / 2.665	1.257 / 4.735	101.6 / 394.3	4.265 / 16.53	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling contracts strong

INTEREST RATE futures had another strong day on the London International Financial Futures Exchange yesterday, in the face of further losses in the equity market.

Long-term gilt futures and three-month sterling deposit futures rose sharply in expectation of another cut in UK clearing bank base rates.

December long-term gilts opened over £1 higher at 124-14, and after easing back after US Treasury bond cash and futures markets opened lower in New York and Chicago, finished on a strong note at the day's peak of 125-08, compared with 123-04.

Buyers of short sterling futures were not dismayed by the Bank of England's resistance to a cut in UK bank base rates. Traders regard a cut to 8½ p.c. as imminent and are looking for another ½ point reduction before the end of the year.

December three-month sterling deposits opened at 91.55, and also closed at the day's high of 91.67, against the previous settlement of 91.28.

Prospects for inflation were not made any clearer by news on UK producer prices, and there was little reaction in the market.

October output prices jumped 0.5 p.c., which was above the general level of City forecasts, but input prices fell by a greater than expected 0.4 p.c.

December FTSE 100 index futures opened lower at 156.50, after the cash index indicated falls of 2 p.c. in share prices. The cash index began 32.3 down at 1588.5. December FTSE fell to a low of 155.00, but finished towards the best level of the day at 157.40, against 159.00 on Friday.

US Treasury bond futures were stronger on the day, but suffered a set back after US credit markets opened weaker, and closed at 89-11, after 89-23 at the Liffe opening, and compared with 88.26 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
116	9.16	9.37	0.00	0.37
118	7.17	7.59	0.01	0.59
120	5.22	6.27	0.06	1.27
122	3.38	5.05	0.19	2.05
124	2.04	3.59	0.52	2.49
126	0.63	2.61	1.47	3.61
128	0.28	2.10	3.12	5.10
130	0.14	1.34	4.62	6.34

Estimated volume total, Calls 5329 Puts 2500
Previous day's open int: Calls 43445 Puts 33065

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-Last Dec	Calls-Last Mar	Puts-Last Dec	Puts-Last Mar
82	7.25	7.27	0.03	1.01
84	5.32	5.62	0.10	1.36
86	3.45	4.44	0.23	2.18
88	2.10	3.30	0.52	3.12
90	1.10	2.44	1.52	4.18
92	0.34	1.61	3.12	5.35
94	0.16	1.25	4.58	6.63
96	0.10	0.62	6.52	8.36

Estimated volume total, Calls 80 Puts 37
Previous day's open int: Calls 2949 Puts 2062

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last Nov	Calls-Last Dec	Puts-Last Mar	Puts-Last Dec
18000	0.44	2.90	23.04	25.50
18250	0.31	2.49	25.41	27.59
18500	0.21	2.13	27.81	29.73
18750	0.15	1.81	30.25	31.91
19000	0.10	1.54	32.70	34.14
19250	0.07	1.30	35.17	36.40
19500	0.04	1.10	37.64	38.70
19750	0.03	0.93	40.13	41.03

Estimated volume total, Calls 5 Puts 5
Previous day's open int: Calls 79 Puts 177

LIFFE £/$ OPTIONS

Strike Price	Calls-Last				Puts-Last			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SE £/$ OPTIONS

Strike Price	Calls-Last				Puts-Last			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls-Last				Puts-Last			
1.650	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.675	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.725	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.750	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.775	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.800	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE-EURODOLLAR OPTIONS

Strike Price	Calls-Last				Puts-Last			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MONEY MARKETS

Lower UK rates

PRESSURE CONTINUED for another cut in UK bank base rates yesterday, but was again resisted by the Bank of England.

Three-month interbank fell to 8 11/16-8 9/16 p.c. from 8¾-8¾ p.c. and the market was generally reluctant to sell bills to the authorities at the existing intervention rate of 8⅞ p.c.

UK clearing bank base lending rate 9 per cent from November 5

From the start of trading it was clear the Bank of England expected pressure for a rate cut and intended to resist. In spite of forecasting a very large money market shortage the authorities did not offer an early round of assistance, realizing that bills would not be offered at acceptable rates.

The Bank of England initially forecast a money market shortage of £1,200m, but revised this to £1,100m at noon, and to £1,150m in the afternoon. Total help of £833m was provided.

Before lunch the authorities bought bills totalling £35m, including £15m outright in band 1 at 8⅞ p.c. Another £20m were purchased for resale to the market in equal amounts on November 30 and December 7 at a rate of 8 15/16 p.c.

In the afternoon the Bank of England purchased another £453m bills, including £277m outright, through £186m bank bills in band 1 at 8⅞ p.c. and £91m bank bills in band 2 at 8⅞ p.c.

A further £176m bills were bought for resale to the market in equal amounts on November 30 and December 7 at 8 15/16 p.c.

Late assistance of around £345m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £1,168m, with Exchequer transactions absorbing £165m, and bank balances below target £250m. These outweighed a fall in the note circulation adding £380m to liquidity.

In Frankfurt call money was steady at 3.60 p.c. The money market awaits an announcement from the West German Bundesbank on a securities repurchase agreement tender.

At the time of last week's reduction in the central bank's Lombard emergency financing rate to 4.5 p.c. from 5 p.c.

Earlier agreements totalling DM13.8bn expire this week, and the main question in dealer's minds yesterday was whether the full amount would be replaced.

The Bundesbank decided not to replace any of the DM7.8bn flowing out of the market last week, when a securities repurchase pact expired. The authorities explained that this was because some DM8bn of liquidity had been added through foreign exchange intervention, selling the D-Mark against the dollar.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov 9) 3 months US dollars		6 months US Dollars	
bid 7¾	offer 7⅞	bid 7⅞	offer 7¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

[illegible]	[illegible]	[illegible]	[illegible]

Nov.9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Nov.9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

£ WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound against various currencies on November 9 1987. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	CURRENCY	VALUE OF £ STERLING
[illegible]	[illegible]	[illegible]

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY NOVEMBER 6 1987					THURSDAY NOVEMBER 5 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (90)	94.73	+0.2	78.77	92.21	4.24	94.51	78.47	92.81	180.81	94.51	93.13
Austria (16)	93.40	−0.1	77.66	81.45	2.55	93.47	77.61	81.68	102.87	85.53	91.13
Belgium (48)	102.92	+3.6	85.58	89.21	5.26	99.31	82.46	87.06	134.89	96.19	90.55
Canada (127)	102.80	+0.7	85.48	98.22	3.10	102.05	84.74	98.36	141.78	98.15	100.13
Denmark (38)	111.22	+1.6	92.48	97.79	3.01	109.44	90.87	96.71	124.83	98.18	93.70
France (120)	86.26	−0.1	71.72	77.06	3.59	86.35	71.70	76.39	121.82	79.10	91.99
West Germany (93)	78.84	+0.4	65.56	68.66	2.79	78.51	65.19	68.08	104.93	77.58	91.96
Hong Kong (46)	81.00	+6.8	67.36	81.20	5.96	75.82	62.96	76.00	158.68	75.82	86.46
Ireland (14)	101.69	+0.1	84.55	90.48	5.00	101.58	84.35	90.02	160.22	99.50	87.45
Italy (95)	74.10	−2.3	61.62	68.49	2.79	75.88	63.01	70.10	112.11	74.10	101.09
Japan (458)	137.25	+0.0	114.12	117.42	0.59	137.26	113.97	116.70	161.28	100.00	87.40
Malaysia (36)	105.45	−0.3	87.68	101.23	3.54	105.80	87.85	101.60	193.64	98.24	101.75
Mexico (14)	191.22	−5.3	159.00	347.89	0.86	202.01	167.74	367.08	422.59	99.72	90.19
Netherland (37)	95.90	+0.0	79.75	82.55	5.45	95.90	79.63	82.28	131.41	92.89	94.64
New Zealand (23)	83.49	+7.0	69.42	70.81	4.25	78.06	64.82	67.45	138.99	78.06	95.69
Norway (24)	113.92	−1.0	94.72	99.96	2.75	115.07	95.55	100.31	185.01	100.00	103.37
Singapore (27)	97.33	+1.0	80.93	91.87	2.60	96.39	80.04	91.24	174.28	90.19	101.59
South Africa (61)	116.38	+3.5	96.77	87.00	4.89	112.46	93.38	84.07	198.09	100.00	99.80
Spain (43)	129.30	+0.8	107.51	110.25	3.67	128.32	106.55	109.94	168.81	100.00	86.43
Sweden (34)	99.67	+2.3	82.88	89.16	2.56	97.39	80.87	87.41	136.64	90.85	103.47
Switzerland (53)	81.67	−0.1	67.91	69.92	2.40	81.73	67.86	69.31	111.11	80.90	90.75
United Kingdom (332)	117.55	−1.2	97.74	97.74	4.68	119.02	98.82	98.82	162.87	99.65	95.30
USA (582)	102.17	−1.5	84.95	102.17	3.58	103.74	86.14	103.74	137.42	92.83	102.22
Europe (947)	98.21	−0.5	81.66	84.21	3.98	98.72	81.97	84.45	130.02	96.73	94.26
Pacific Basin (680)	133.56	+0.1	111.06	115.22	0.80	133.39	110.76	114.42	158.77	100.00	87.71
Euro–Pacific (1627)	119.45	−0.1	99.33	102.84	1.85	119.56	99.28	102.46	143.68	100.00	90.30
North America (709)	102.20	−1.4	84.98	101.96	3.56	103.64	86.06	103.46	137.55	93.20	102.11
Europe Ex. UK (615)	86.21	+0.1	71.69	75.85	3.39	86.13	71.52	75.54	111.97	84.82	93.64
Pacific Ex. Japan (222)	89.08	+2.8	74.07	86.46	4.66	86.68	71.98	84.66	164.03	86.68	91.61
World Ex. US (1829)	118.89	+0.0	98.86	102.67	1.92	118.93	98.75	102.28	143.38	100.00	90.75
World Ex. UK (2079)	111.91	−0.5	93.06	103.16	2.27	112.46	93.38	103.37	138.82	100.00	95.22
World Ex. So. Af. (2350)	112.37	−0.6	93.43	102.68	2.48	113.03	93.85	103.00	139.47	100.00	95.19
World Ex. Japan (1953)	100.51	−0.9	83.57	95.03	3.75	101.43	84.22	95.88	134.22	96.44	98.97
The World Index (2411)	112.40	−0.6	93.46	102.59	2.50	113.03	93.85	102.89	139.73	100.00	95.21

Base values: Dec 31, 1986 = 100
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New York market closed at 15:00 hrs local time.
Latest prices were unavailable for this edition.
CONSTITUENT CHANGES: [illegible] (France), [illegible] (UK), [illegible] (Canada) and [illegible] (US). Name change: [illegible] to LVMH (France).

EUROPEAN OPTIONS EXCHANGE

Series		Nov 87 Vol.	Nov 87 Last	Feb 88 Vol.	Feb 88 Last	May 88 Vol.	May 88 Last	Stock
GOLD C	$460	145	9	9	31.50	—	—	$464.20
GOLD C	$480	57	2.80	2	21	—	—	"
GOLD C	$500	85	0.80	26	14.50	—	—	"
GOLD P	$400	—	—	187	3.80	—	—	"
GOLD P	$420	—	—	548	6.50	34	10	"
GOLD P	$440	—	—	10	10	30	14A	"
GOLD P	$460	102	5	—	—	—	—	"
GOLD P	$480	20	19B	150	28	110	27.50	"
GOLD P	$500	—	—	102	39	102	41	"
		Nov. 87		Dec. 87		Jan. 88		
EOE Index C	Fl.165	—	—	86	11.50	51	13.50	Fl.159.40
EOE Index C	Fl.180	52	4	51	7	159.40	40	"
EOE Index P	Fl.165	—	—	377	17	71	17.50	"
EOE Index P	Fl.170	—	—	271	19.50B	34	21	"
£/Fl P	Fl.335	—	—	—	—	25	4.70	£335.42
$/Fl C	Fl.185	2	3.60	2	5.50	104	5.50	Fl.187.65
$/Fl C	Fl.195	55	0.40A	—	—	63	1.90	"
$/Fl C	Fl.200	—	—	33	0.70	27	1.10	"
$/Fl P	Fl.180	—	—	285	1.70	415	2.20	"
$/Fl P	Fl.185	648	1.70	464	3.20	74	4.30	"
$/Fl P	Fl.190	85	3.20	305	5	39	6.60B	"
$/Fl P	Fl.195	33	7	45	8.50	4	9.80	"
$/Fl P	Fl.200	13	11.50	21	13	5	14.40	"
$/Fl P	Fl.205	—	—	1022	17.50	—	—	"
		Mar. 88		June 88		Sept. 88		
$/Fl C	Fl.180	—	—	—	—	1003	11	Fl.187.65
$/Fl C	Fl.190	10	4.80	9	5.70	56	6.80	"
$/Fl C	Fl.205	102	1.20	1	1.90	5	2.50	"
$/Fl P	Fl.180	368	3.60	10	5.20	1200	6.50	"
$/Fl P	Fl.185	180	5.50	6	7.50	—	—	"
$/Fl P	Fl.190	46	8	—	—	—	—	"
		Jan. 88		Apr. 88		Jul. 88		
ABN C	Fl.35	233	3.90	3	6.10	—	—	Fl.36.20
ABN P	Fl.46	217	10.50	470	10.70	—	—	"
AEGON C	Fl.80	50	0.50	—	—	—	—	Fl.49.40
AHOLD C	Fl.70	35	3	—	—	7	6	Fl.60
AKZO C	Fl.130	364	1.50	64	3.80	5	6	Fl.84
AKZO P	Fl.80	362	7.50	29	8.50B	14	10B	"
AMEV C	Fl.40	52	3.20	10	5	—	—	Fl.37
AMRO C	Fl.60	145	3.40	12	4.70	—	—	Fl.58.80
ELSEVIER C	Fl.40	164	2.50	35	3.50	25	4.80	Fl.34
ELSEVIER P	Fl.60	47	26	21	27.50	1	27.60	"
GIST-BROC. C	Fl.30	17	2.70	35	4.50	—	—	Fl.27.10
GIST-BROC. P	Fl.50	40	24	5	24	—	—	"
HEINEKEN C	Fl.130	46	7.90	—	—	—	—	Fl.120
HEINEKEN P	Fl.110	62	7.20	30	11	—	—	"
HOOGOVENS C	Fl.35	—	—	38	2.30	—	—	Fl.24.90
HOOGOVENS P	Fl.27.50	145	5.30	9	5.50B	10	5.50B	"
KLM C	Fl.55	222	0.30	5	0.80	—	—	Fl.27.10
KLM P	Fl.27.50	130	3.40	14	4.20	22	4.60	"
NEDLLOYD C	Fl.120	57	10.50	1	15	—	—	Fl.112.50
NEDLLOYD P	Fl.120	32	15A	2	17B	1	19	"
NAT NED C	Fl.50	217	3	6	4.50	12	5.80	Fl.45.30
NAT NED P	Fl.45	63	4.50	—	—	26	6	"
PHILIPS C	Fl.40	53	0.80	780	1.30	15	2A	Fl.27
PHILIPS P	Fl.27.50	254	2.80	11	4	51	4.50	"
ROYAL DUTCH C	Fl.230	152	3.20	105	7.10	2	10.60	Fl.197
ROYAL DUTCH P	Fl.190	262	9.10	31	13	—	—	"
ROBECO C	Fl.85	95	9.50	—	—	—	—	Fl.80.10
UNILEVER C	Fl.112	468	4.20	—	—	—	—	Fl.95.90
UNILEVER P	Fl.90	475	8	62	10.50A	24	13.50	"

TOTAL VOLUME IN CONTRACTS: 38,941
A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	9	• Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	9½
American Exp. Bk	9	Consolidated Cred.	9	Provincial Trust Ltd	10½
Amro Bank	9	Co-operative Bank	★9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe Guarantee	10½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	10	Equatorial Tst Corp plc	9½	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith Williams Secs	9
Banco de Bilbao	9	Financial & Gen. Sec.	9½	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp.	10½	TSB	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10½	UDT Mortgage Exp.	¶11.1
Bank Credit & Comm	9	• Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9½	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9½	Grindlays Bank	9	Western Trust	9
Bank of Scotland	9	• Guinness Mahon	9	Westpac Bank Corp	9
Banque Belge Ltd	9	HFC Trust & Savings	9	Whiteaway Laidlaw	9½
Barclays Bank	9	• Hambros Bank	9	Yorkshire Bank	9
Benchmark Tst Ltd	9½	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10½	• Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
• Brown Shipley	9	Lloyds Bank	9½		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Central Capital	9	• Morgan Grenfell	9		
Cayzer Ltd	9	Mt Credit Cpn Ltd	9		

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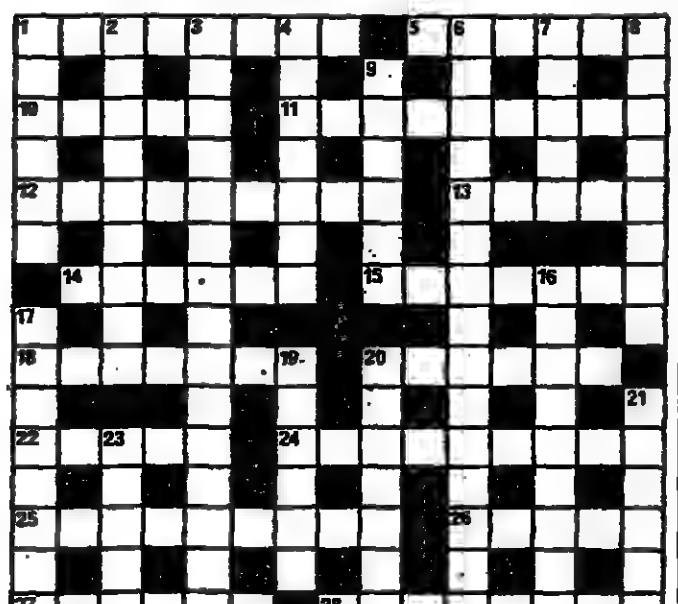
FT CROSSWORD No.6,478
SET BY HIGHLANDER



ACROSS
1 Department calls for tax on some cars (8)
5 Beginning with old-fashioned firm (6)
10 Brief letter sent to shareholders incorporates it (5)
11 Nineteenth century conquering hero - a Scot (9)
12 It's revealing the one who starts to study first (3-6)
13 Spent five hundred on the hussy (5)
14 Someone engaged in money management pointlessly (6)
15 Copper's overturned the island to find the devil (7)
18 Depend on wretched fellow being guilty (7)
20 Eastern religion is shaky on this (6)
22 Mountain hospital has a top grading (5)
24 Not exactly rounded character (9)
25 Stretched a point and led tango dancing (9)
26 Discontinued transport system approved by engineer (5)
27 Report is about overdue (6)
28 Tried one that could be adjusted (8)

DOWN
1 Import material (6)
2 European won in gearchange (9)
3 Nightcap perhaps could shield one from it (8,7)
4 Feel sorry about regular income (7)
6 In France one has to lie; job can be otherwise quite pleasant (15)
7 Threw one into discard (5)
8 Unable to judge pitch, Eton fade out (4-4)
9 He tried unsuccessfully to fly machine between island and America (6)
16 Say much superlatively and make it last (9)
17 We have row: a little bird said so (8)
19 Pick up sound in front of old slum area (6)
20 One who takes his leave on second river in Germany (7)
21 Long speech made by offspring accepting credit (6)
23 Hunt for waterfowl - wings only (5)

Solution to Puzzle No.6,477

PAGODA REDEEM
A A I X N A
UNDRESS PUNGENT
I B I M L A S
ACCOUNTANT GIFT
I F R E I
SALVE CHANDLER
O C A N L
LUDDITES AWARD
V I I R D
SETS DETACHMENT
N R E E H I O
RISOTTO MIGRATE
R B E S A E
SHEARS STALLS

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance Co.—Contd.

Gilt-Edged Inc.		236.5	—	—
Do. Accum.		292.7	—	—
Guaranteed Inc.		159.9	—	—
Do. Accum.		197.9	—	—
International Inc.		358.9	—	—
Do. Accum.		443.8	—	—
Index Lk. Gilt Inc.		127.7	—	—
Do. Accum.		158.0	—	—

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property		334.4	+0.6	—
Property Pens.		454.8	+0.7	—
Equity		159.6	+0.6	—
Equity Pens.		648.0	+0.2	—
Money Market		314.0	-2.9	—
Money Mkt. Pens.		368.2	-3.4	—
Deposit		241.4	+0.1	—
Deposit Pens.		388.4	+0.1	—
Managed		249.3	-0.2	—
Managed Pens.		461.5	-0.4	—
Intl. Equity		257.4	+1.0	—
Do. Pens.		401.1	+1.6	—
Intl. Managed		245.9	+1.2	—
Do. Pens.		350.6	+1.7	—
North American		100.8	-0.8	—
Do. Pens.		113.1	-0.9	—
Far East		193.1	+3.4	—
Do. Pens.		279.2	+4.9	—
Intl. Currency		162.1	-0.8	—
Do. Pens.		274.1	-2.8	—
Index Linked		127.9	+0.7	—
S & C Managed Fd		107.0	-0.3	—
S & C Pens Mngd Fd		83.2	-0.2	—
Bell Chambers		106.9	-0.4	—
Loran & Loran		119.9	-0.2	—
Milton Mngd Fnd		157.4	+0.1	—
Trustlink Life Funds				
Per Worldwide Rec.		118.2	+0.7	—
Per Far East Growth		137.9	+1.6	—
Per Intl Growth		118.3	+1.1	—
Per Income		131.1	+1.4	—
Per Emerging Co's		102.2	+0.0	—
Per American Growth		108.3	+1.3	—
Per European Growth		93.8	+0.8	—
Fra American & Gen.		78.2	+0.6	—

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

NUAM Funds				
Managed Fund	46.8	49.3	-0.6	—
Stock Market Mngd Fund	43.8	46.2	-0.8	—
Equity Fund	47.2	49.7	-1.0	—
International Fund	41.3	43.5	-0.5	—
European Fund	42.2	44.5	-1.2	—
North American Fund	37.1	39.1	-0.5	—
Pacific Fund	50.3	53.0	-0.2	—
Property Fund	53.6	56.5	—	—
Fixed Interest Fund	52.2	55.0	+0.7	—
Index Linked Sec Fund	48.0	50.6	+1.7	—
Deposit Fund	51.9	54.7	—	—
NUAM Retirement Plan				
Mixed Fund	47.8	50.4	-0.4	—
UK Ordinary Share	52.0	54.8	-0.6	—
International Fund	40.6	42.8	-0.1	—
Property Fund	53.3	56.2	—	—
Fixed Interest Fund	51.5	54.4	-0.1	—
Index Linked Sec Fund	46.8	49.3	+0.1	—
Deposit Fund	54.1	57.0	—	—
NUAM (NUF)				
Managed Fund	636.5	670.0	-4.7	—
Equity Fund	1227.1	1291.7	-24.3	—
Property Fund	335.0	352.6	—	—
Fixed Interest Fund	384.9	405.2	+3.3	—
Deposit Fund	212.0	223.2	+0.1	—
International Fund	107.2	112.9	-1.6	—
Index Linked Sec Fund	48.1	50.7	+1.7	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200

Pensionmaster* & Unit-Linked Plan*				
Fixed Interest Fund	265.3	279.2	—	—
Index-Linked Sec Fund	129.1	135.8	—	—
Ordinary Share Fund	391.8	412.4	—	—
International Fund	107.7	113.3	—	—
Property Fund	165.2	173.8	—	—
Deposit Fund	169.4	178.3	—	—
Mixed Fund	272.2	286.5	—	—
Norwich Units Oct 15		1047.9	—	—

*Prices as at October 30.

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
[illegible]	[illegible]	Treas. 12pc 1987	[illegible]		—	—
[illegible]	[illegible]	Treas 7¼pc 1985-88	[illegible]	[illegible]	7.77	8.46
[illegible]	[illegible]	Exch 10½pc '88	[illegible]	[illegible]	10.39	8.37
[illegible]	[illegible]	Treas 9¾pc Cv '88	[illegible]	[illegible]	9.67	8.31
[illegible]	[illegible]	Transport 3pc '78-88	[illegible]		3.07	6.72
[illegible]	[illegible]	Treas. 9½pc '88	101	[illegible]	9.40	8.36
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	11.09	8.33
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.35	8.28
[illegible]	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	3.14	6.12
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.17	8.31
[illegible]	[illegible]	Exch 10pc 1989	[illegible]	[illegible]	9.73	8.36
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	10.53	8.35
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.22	7.38
[illegible]	[illegible]	Exch 10½pc Cv '89	[illegible]	[illegible]	9.66	6.94
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	11.93	8.35
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	10.46	8.38
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	11.50	8.38
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.25	6.38
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.27	8.33
105	[illegible]	Treas. 10pcCv 1990	104	[illegible]	9.60	8.37
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.78	6.16
[illegible]	[illegible]	Treas 11¾pc 1991	109	[illegible]	10.77	8.37
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.13	7.87
[illegible]	[illegible]	Treas. 3pc 1991	[illegible]	[illegible]	3.36	6.35
[illegible]	[illegible]	Treas 10pc Cv '91‡‡	[illegible]	[illegible]	9.32	7.62
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	10.13	8.38
99	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.09	8.31
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	115	[illegible]	11.08	8.39
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	9.47	8.39
[illegible]	[illegible]	Treas. 8pc 1992‡‡	99	[illegible]	8.70	10.25
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	9.78	8.42
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.74	8.03
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	+2	10.69	8.45
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	+2	11.29	8.50
		Five to Fifteen Years				

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
39	21¼	Rep NY Corp $5	29	.....	$1.16	—	2.9
18¾	8¾	Rockwell Intl. $1	10¾	−¼	66c	—	3.5
30⅜	16¼	Sara Lee $1	29½	−⅝	$1.00	—	2.8
11⅜	8⅝	Saul (B. F.) $1	9⅛	−⅛	20c	—	1.3
27⅞	2⅞	Southwestern Bell $1	21¼	−½	$2.32	—	6.3
22⅜	11½	Staley Continental	11½	.....	80c	—	4.0
44⅝	21⅞	Sun Co. Inc. $1	28¾	−1	$3.00	—	6.1
42⅞	24	TRW Inc. $0.625	24⅞	−1⅛	$1.60	—	3.7
37⅞	22⅞	Tenneco $5	23⅜	−⅛	$3.04	—	7.3
220	149½	Do. 10pcLn.Stk. 91-6	150	.....	10%	—	6.7
29⅞	16⅝	Texaco $6.25	17⅞	−½	$3.00	—	10.1
74⅜	43⅞	Time Inc. $1	48¼	−1¼	$1.00	—	1.2
20⅞	11	Tracor $0.33	17⅜	−⅛	40c	—	1.3
30⅞	15⅜	Transamerica $1	18⅞		$1.84	—	5.6
34⅜	1⅛	Transworld Corp $5	814p	+34	20c	—	1.4
27⅞	12⅞	TRINOVA Corp.	15⅞	+⅛	56c	—	2.1
24⅜	12⅞	USX $1	15⅞	+⅛	$1.20	—	4.3
19⅞	10⅞	Union Carbide $1	12⅛	−⅛	$1.50	—	7.1
37⅞	19⅝	Utd. Technologies	19⅝	−⅛	$1.40	—	4.1
38⅞	26⅛	US West	29	−⅝	$3.28	—	6.5
30⅛	17⅛	Waste Management $1	20⅛	−1	—	—	—
31⅞	13⅞	Whirlpool $1.0	14⅛	+⅛	—	—	—
37⅞	18⅛	Woolworth $3½	19⅞	+1⅛	$1.32	—	3.9

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

LEISURE

MOTORS

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING—Continued

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES—Cont.

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

FINANCE, LAND—Cont.

Finance, Land, etc

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Continued

Tins

Miscellaneous

THIRD MARKET

NOTES

W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	92	.....	Fin. 13% 97/02	£111¾	+1
Craig & Rose £1	700xd	+37	Arnotts	250	.....
Finlay Pkg. 5p	93	−2	CPI Hldgs	65	−15
Holt (Jos) 25p	£11¼	−¼	Carroll Inds.	130	.....
IoM Stm. £1	235	−5	Dublin Gas	40	.....
			Hen (R. & H.)	130	.....
			Heaton Hldgs.	40	.....
IRISH			Irish Ropes	158xd	−2
Fund 11¾% 1988	£100¾	+⅛	Mongh	325	.....
Nat. 9¾% 84/89	£99	.....	Unidare	350	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	40	NEI	13
Amstrad	19	Nat West Bk	65
BAT	62	P & O Dfd.	65
BOC Grp.	50	Plessey	20
BSR	17	Polly Peck	34
BTR	36	Racal Elect	32
Babcock	32	RHM	35
Barclays	52	Rank Org Ord	70
Beecham	52	Reed Intnl	50
Blue Circle	50	STC	30
Boots	30	Sears	16
Bowaters	50	TI	37
Brit Aerospace	50	TSB	12
Brit. Telecom	28	Tesco	18
Burton Ord	32	Thorn EMI	65
Cadburys	25	Trust Houses	25
Charter Cons.	45	T&N	26
Comm Union	34	Unilever	62
Courtaulds	45	Vickers	28
FNFC	32	Wellcome	42
Gen Accident	95	**Property**	
GEC	22	Brit Land	30
Glaxo	200	Land Securities	50
Grand Met	50	MEPC	48
GUS 'A'	125	Peachey	40
Guardian	95	**Oils**	
GKN	30	Brit Petroleum	32
Hanson Tst	17	Britoil	30
Hawker Sidd	58	Burmah Oil	52
ICI	125	Charterhall	10
Jaguar	52	Premier	11
Ladbroke	43	Shell	125
Legal & Gen	32	Tricentrol	11
Lex Service	45	Ultramar	26
Lloyds Bank	35	**Mines**	
Lucas Inds	75		
Marks & Spencer	22	Cons Gold	125
Midland Bk	45	Lonrho	28
Morgan Grenfell	55	Rio T Zinc	100

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates			
*First Dealings	Option Declarations	Last Dealings	Account Day
Oct 26	Nov 5	Nov 6	Nov 16
Nov 9	Nov 19	Nov 20	Nov 30
Nov 23	Dec 3	Dec 4	Dec 14

*New time dealings may take place from 9.00am two business days earlier.

Widespread losses in equities while Index-linked feature strong Gilt-edged sector

IN THE absence of firm news from the meeting in Basle of the central bankers from the major industrial nations, UK securities markets were left to speculate over the next move in global financial strategies.

UK Government bonds strongly extended their recent gains after a comment at the weekend from Mr Nigel Lawson, the UK Chancellor of the Exchequer that he was "ready to cut interest rates again if neccessary". However, gains of a further 4 points in Index-linked Gilts reflected worries about inflation both at home and across the Atlantic.

UK shares tumbled heavily, as investors shied away from renewed uncertainties in the US dollar as well as in other world stock markets. London, deeply nervous of how Wall Street might react to the return of the programme traders, who were temporarily banned in the wake of the Black Monday shakeout, was around 40 FT-SE points down for most of the day.

Nervousness increased as the Amsterdam market reported that futures contracts on the US Major Market Indices had moved to a discount against underlying indices.

When New York came in with a 50 point fall, London's losses were quickly extended. At the close of business, the FT-SE 100 Index showed a fall of 55.6 points to 1565.2, another low point for the current shakeout, and a return to the levels recorded in the closing weeks of trading in the old-style, pre Big Bang marketplace.

While some City analysts were prepared to take a hopeful view of the moves in Basle to open the way for a meeting of the Group of Seven ministers aimed at stabilising the dollar, their optimism cut no ice with investors.

"I was surprised it went down as far as it did", said Mr Nick Whitney at Warburg Securities. "There seems to have been very, very little selling business going through. We were just chasing shadows again".

Once again it was the dollar-earning exporting groups that took the brunt of the market fall. But turnover in these major stocks was thin, and **ICI** and **Glaxo** managed to steady above £10 a share, with barely 1m shares traded in either case. **Shell** gave ground, also in somewhat lacklustre trading conditions.

But more serious damage was suffered by the second line stocks as unit trust managers struggled to raise cash to meet unit liquidation calls by their customers.

One manager attempted to sell 50,000 shares of a Beta quoted company quoted on the Seaq screens by seven marketmakers, albeit in relatively small bargain size. He was eventually offered - and refused - a bid 30p a share below screen size for his large bargain.

This kind of situation, now widespread among Beta and Gamma shares, has serious implications for the unit trust funds, many of whom are heavily invested in these second line and relatively illiquid stocks.

In addition to the difficulty of raising cash to meet liquidations, managers face the dangers of fund valuations based on share prices which are often somewhat illusory.

Mr Lawson's comments on interest rates, which were taken up by many analysts at the weekend, proved little help to equities. But money market rates opened lower, as the City predicted base rates cuts of another full point as soon agreement is reached on the US deficit.

In heavy demand, long-dated Government bonds, driven ahead also by a lack of supply in the marketplace, quickly bounded ahead by a full point on good retail demand, both from UK and foreign houses. A bout of profit-taking was brushed off and prices closed at the day's best, with gains of 1⅞. In the absence of a new Government tap stock on Friday, yesterday's demand implies heightened need for one in the very near future.

Index-linked Gilts (IL) bounded by as much as four points, with stock shortage playing a role in this sector also. Investors have bought IL stocks heavily since Mr Lawson, in his Autumn Economic Statement, disclosed higher forecasts for next year's domestic inflation levels.

Turnover in **BP** "old" was a relatively unremarkable 11m but the shares remained on the downward path and dipped 5½ more to 240½p, after 238p, as crude oil price again fell below and this time stayed below the $18 a barrel mark; Brent for December delivery lost 40 cents more to $17.65 a barrel.

Business in BP "new" approached 100m shares after weekend Press stories that America's Exxon could be seeking a stakein the company, and that Japan's Nomura may well be interested in increasing its holding. But dealers said numerous trades of around 5m shares in BP "new" were "fairly routine". The "new" closed 3½ lower at 75p, after 73½p.

Jaguar earned the distinction of being the only international stock able to arrest its freefall. Views that the stock had been oversold because too much emphasis had been placed on the group's US exposure were a comfort.

FINANCIAL TIMES STOCK INDICES

	Nov. 9	Nov. 6	Nov. 5	Nov. 4	Nov. 3	Year Ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs.	92.54	91.12	91.47	90.91	90.14	82.98	95.32 (8/5)	83.75 (19/10)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.47	94.42	94.47	93.90	94.07	89.04	99.12 (15/6)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1232.0	1270.0	1287.9	1255.6	1286.1	1313.3	1926.2 (16/7)	1232.0 (9/11)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	277.6	261.6	273.5	279.2	308.6	304.2	497.5 (4/8)	261.6 (6/11)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	5.00	4.84	4.80	4.93	4.81	4.35				
Earnings Yld. %(full)	12.42	12.04	11.93	12.34	11.96	9.98				
P/E Ratio (net)(*)	9.84	10.16	10.25	9.99	10.23	12.26				
SEAQ Bargains (5pm)	30,734	38,258	35,253	40,825	36,788	34,970				
Equity Turnover (£m)	-	1375.80	1270.12	1774.63	1673.22	1034.96				
Equity Bargains	-	44,756	42,599	48,603	48,460	47949				
Shares Traded (ml)	-	643.4	639.7	806.9	888.2	494.3				

S.E. ACTIVITY

Indices	Nov.6	Nov.5
Gilt Edged Bargains	151.2	174.3
Equity Bargains	290.0	276.0
Equity Value	2788.8	2567.2
5-Day average		
Gilt Edged Bargains	147.7	143.2
Equity Bargains	317.3	341.5
Equity Value	2880.3	3009.4

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1248.0	1249.0	1249.2	1240.3	1240.4	1241.6	1242.8	1234.8

Day's High 1250.5 Day's low 1229.1

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, S E Activity 1974, * Nil=9.70.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

But the main drive behind yesterday's recovery was provided by an unexpected revival of American buying interest. The business was relatively small but it found marketmakers running short book positions. A squeeze ensued and the shares improved to close 10 higher on the day at 279p.

P. and O. Deferred met with nervous selling and dipped 25 to 448p in the wake of fears about the outcome of the company's insurance claim for the loss of the Herald of Free Enterprise.

A week-end Press article suggested that the lawyers for the lead insurers have expressed serious doubts about the £25m claim. However, P. and O. were reported to have stated that discussions are still taking place with the insurers and that they believe that the claim is valid.

One of only a handful of impressive upside movements in yesterday's market came from **Electronic Rentals** which surged 9 to 64p after a prefence share and cash bid valuing the company at more than £210m from the **Granada** group. Granada shares slumped 29 to 241p on the news.

Analysts were split as to whether the bid as it stands will succeed. Chase Manhattan Securities' Brian Newman was doubtful, describing the offer as "opportunistic" and coming at a time when ER is undergoing " a strong recovery phase". He forecasts pre-tax profits of £23m, against £18.5m, for ER in the current year. Worries about a possible monopolies reference do not worry Newman, who refers to Thorn EMI's 50 per cent stake in the TV rental market. But traders in the shares and other analysts pointed yesterday to the 40 per cent premium to ER's share price prior to the bid.

Financial sectors mirrored sliding markets worldwide, and what dealers called "almost total lack of buying interest". The "big-four" banks did little more than drift throughout a lack-lustre session and **Lloyds**- worried by third world debts - lost 17 to 228p. **Midland**, also upset by South American debt problems, fell 15 to 328p. Press comment suggesting a possible merger between the two banks was shrugged aside by traders.

Merchant banks found no support. **Kleinwort Benson** lost 35 to 370p after comment on the poor results of the £143m rights issue. **Morgan Grenfell** dipped 15 to 228p and **SG Warburg** gave up 23 to 280p.

Life assurances were lower across the board. The recently acquired near-9 per cent KIO stake in **London & Manchester** failed to hold up the latter's shares which fell 10 to 195p. Composites showed **Commercial Union**, reporting third quarter figures on Wednesday, 20 lower at 283p. **General Accident**, alsoreporting on Wednesday, dipped 32 to 743p and **Royals**, due to announce results on Thursday, retreated 33 to 365p. Brokers were featured by **Hogg Robinson** where the appointment of a new deputy chairman and managing director helped the shares edge up to 126p.

Fresh reports of overseas predators stalking both leading and secondary groups found Brewery investors in unresponsive mood. **Bond Corporation** would neither deny nor confirm a suggestion of an intention to increase its stake in **Allied-Lyons** from the present 2.8 per cent to around 5 per centand the latter's shares came back with the general downturn to close 9½ off at 320p. Losses were also sustained by **Bass**, down 15 at 775p, and **Guinness** which drifted 4 lower to 242p. **Whitbread** gave up 4 at 267p; the group has raised its shareholding in **Boddington** to 3.3 per cent. A few weeks ago, Boddington responded strongly to an intimated offer from Midsummer Leisure and rose to 228p before the offer wassubsequently withdrawn. The shares lost 7 yesterday to 135p. Hopes of a bid touched off further demand for **Greenall Whitley**, up 6 to 174p, but other regionals lost ground. **Greene King** gave up 8 at 442p while **J.A.Devenish** retreated 10 to 252p.**Invergordon** suffered a setback in Distillers, losing 12 to 158p.

Leading Building issues sustained fresh losses despite professional surveys indicating that Building activity remains buoyant. Lack of support and scrappy selling left **Blue Circle** 5 off at 319p and **Redland** 2 cheaper at 373p. **RPB Industries**, the subject of stake build-up speculation recently, came back 14 to 244p and **Steetley** shed a similar amount to 252½p. Housebuilders remained on offer despite the prospect of a further cut in interest rates, **Barratt Developments** losing 4 at 141p and **Tarmac** shading to 199p. **George Wimpey** bucked the trend and hardened a few pence to 169p.

ICI drifted back on currency influences to close ⅛ easier at £10⅛. **Wardle Storeys**, annual results due next Monday, lost 20 at 435p. **Amersham International** were a major casualty after revealing disappointing half-year figures and closed some 68 pence lower at 308p.

Harris Queensway put on a creditable performance in a stores sector generally depressed by confirmation of the marginal decline in retail sales during September; only a shade off at 97p Harris shares reflected rumours that securities house Wood Mackenzie had taken a positive view of the shares after the sale of the loss-making "Ultimate" electrical retailing division to **Woolworths** for £8m.The latter, who intend to merge the nearly-acquired group into its Comet division were only 5 easier at 265p.

Storehouse also made progress, edging up 7 to 237p after Press comment and talk of averaging in the shares.

Engineers recorded widespread losses. **TI Group** unsettled by news that the company may be facing US legal action over its aborted bid for Bundy, reacted 9 to 213p.

Leading Foods suffered a fresh setback, mainly reflecting the absence of buyers. Currency influences continued to depress **Cadbury Schweppes**, down a further 7 at 192p, but lingering bid hopes sustained **Ranks Hovis McDougall** which closed a shade dearer at 259p. **Tate and Lyle** softened a few pence to 596p and **Unigate** shed 10 to 260p. Among Retailers, **ASDA-MFI**, in which some 1½m shares changed hands, settled 6 cheaper at 157p. **Dee Corporation** shed 6 to 151p. **J. Sainsbury** were 6 off at 218p awaiting today's half-year figures.Elsewhere, **Hillsdown** were a weak market and gave up 8 at 220p.

Already moving lower, International stocks weakened further in the wake of a sharp setback on Wall Street in the first few hours or so of trading. **Hanson Trust** were again one of the more active counters, closing 5 down at 122p in a volume of some 5.8m shares. **BOC**, (preliminary figures due on Thursday) dipped 17 to 313p. **Beecham** fell away to close 21 lower at 404p, while **BTR** were not far behind with a reaction of 14 at 229p. **Reuters**, a particular US favourite, were hard hit and closed 27 lower at 454p.

Virgin Group provided one of the day's bright features, the shares rising 10 to 110p in response to the good annual results and confident statement.

Specialist UK car manufacturers moved conversely with **March** falling 15 more to 95p and **Reliant** advancing 3 to 40p, the latter following a penny share recommendation. Commercial Vehicle makers went lower with **ERF** dipping 25 to 145p and **Plaxtons (GB)** 19 to 133p. A similar story in the Component sector left **Dowty**, 134p, **Lucas Industries**, 483p, and **Kwik-Fit**, 125p, showing falls of between 3 and 10 pence. Distributors were not immune and **Appleyard** dropped 22 further to 258p while **T.Cowie** slipped 12 more to 73p.

Agencies and related groups took another tumble as investors showed renewed concern about future prospects. **Shandwick** dropped 45 more to 405p, while **Lowe Howard-Spink** fell 39 to 244p and **Bosse Massimi** 23 to 205p. Falls elsewhere also ran into double-figure amounts.Newspaper,too, had a torrid time with **EMAP** losing 20 to 142p, **Associated** 15 further to 395p and **Hobsons Publishing** 40 to 370p. **Musterlin** shed 20 to 115p.

Marketmakers reported quiet trading conditions in the Property sector with leading issues drifting steadily easier in the absence of any worthwhile buying interest. The tone deteriorated further towards the close and prices settled at the day's lowest levels. **Land Securities** finished 13 down at 420p, while falls of around 10 were marked against **British Land**, 213p, and **Slough Estates**, 197p. **MEPC** gave up 10 at 383p and **Greycoat** lost 13 at 267p.

London & Associated stood out among weak miscellaneous Financial issues, rising 5 to 33p on a tipsheet recommendation.

Bat Industries, still reflecting its vulnerability to exposure in the US, met with renewed selling, closing 13 lower at 414p in a volume of some 2m shares.

Traded option activity matched the market's sombre mood. The total number of contracts was 32,349, calls accounting for 16,430 trades and puts 15,919. The **FTSE** contract managed only 396 calls and 624 puts, but **Hanson** calls were favoured with 3,609 registered. **Plessey** attracted 1,204 calls and 2,150 puts Boots puts totalled 2,397 with calls at just 829.

Traditional Options

● **First dealings Nov 02● Last dealings Nov 13● Last declarations Feb 04 ● For Settlement Feb 15***For rate indications see end of London Share Service*

Money was given for the call of **James Finlay, Sears, Tesco, Cluff Oil, Wellcome, BSR, Oceanonics, Tozer Kensley and Millbourn, Abaco, Carrdon, Control Securities, London Investment Trust, Bula Resources, Dares Estates,** *Dowty Group*, **Pentland Industries, Amalgamated Financial, Blacks Leisure, Jaguar, Ferranti, Rolls-Royce, Ashley Industrial Trust, Dale Electric, Windsor Securities, Readicut, Cresta and Renishaw.** No put or double options were reported.

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (17).

BRITISH FUNDS (10) INT.BANK & O'SEAS GOVT. STLG. ISSUES (1) Sweden 13½pc. Ln. 2010, LOANS (3) Nationwide Anglia 9½pc. 11.7.88, Do. 10pc. 1.8.88, Do. 10½pc. 22.8.88, TRUSTS (3) River Plate Zero Div. Pref., Scot. Nat. Stepped Pref., Do. Zero Div. Pref.

NEW LOWS (468).

AMERICANS (7) CANADIANS (4) BANKS (10) BREWERS (2) BUILDINGS (38) CHEMICALS (14) STORES (18) ELECTRICALS (30) ENGINEERING (52) FOODS (13) HOTELS (3) INDUSTRIALS (65) INSURANCE (11) LEISURE (9) MOTORS (7) NEWSPAPERS (8) PAPERS (28) PROPERTY (27) SHIPPING (1) SHOES (1) TEXTILES (8) TRUSTS (118) OILS (13) OVERSEAS TRADERS (1) PLANTATIONS (1) MINES (10) THIRD MARKET (16).

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon Nov 9 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Fri Nov 6 Index No.	Thu Nov 5 Index No.	Wed Nov 4 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (213)	626.48	−3.2	11.23	4.53	11.18	19.10	647.25	656.22	653.71	690.14
2	Building Materials (30)	825.61	−2.6	11.25	4.46	11.08	22.91	847.83	864.11	851.00	847.37
3	Contracting, Construction (33)	1145.86	−1.5	11.06	4.39	12.09	31.12	1162.80	1171.13	1175.60	1163.76
4	Electricals (14)	1662.65	−3.7	10.90	5.24	11.98	62.76	1726.31	1746.37	1714.79	1802.82
5	Electronics (33)	1446.31	−2.8	11.16	3.49	11.70	35.99	1487.25	1493.47	1489.70	1471.34
6	Mechanical Engineering (60)	303.49	−4.1	12.12	5.33	10.37	11.28	314.41	322.65	325.92	377.72
8	Metals and Metal Forming (7)	348.64	−4.8	11.29	4.74	10.78	11.55	366.20	377.44	382.66	343.67
9	Motors (14)	223.31	−1.9	13.62	5.18	8.53	7.31	227.54	238.56	234.50	261.76
10	Other Industrial Materials (22)	1058.99	−4.6	9.84	4.90	12.09	37.16	1110.54	1122.24	1104.20	1244.94
21	CONSUMER GROUP (183)	919.77	−3.0	9.08	3.84	14.00	21.28	948.17	961.36	944.86	958.69
22	Brewers and Distillers (21)	877.37	−1.6	11.44	4.22	11.04	17.53	891.79	904.02	886.22	961.54
25	Food Manufacturing (23)	726.65	−3.1	10.20	4.29	12.67	17.48	749.92	752.80	737.98	732.80
26	Food Retailing (17)	1856.23	−3.2	8.03	3.17	16.59	40.31	1916.93	1957.82	1927.55	1896.11
27	Health and Household Products (10)	1596.93	−4.2	7.03	2.78	16.44	27.95	1667.80	1672.60	1625.13	1533.46
29	Leisure (30)	943.07	−3.1	8.50	4.82	14.68	28.40	973.30	991.89	992.19	978.31
31	Packaging & Paper (16)	441.72	−3.1	9.35	4.05	14.08	11.22	455.69	462.76	462.86	468.05
32	Publishing & Printing (15)	2896.13	−3.4	7.46	5.02	16.98	95.15	2999.06	3046.92	3098.90	2589.55
34	Stores (35)	796.20	−2.0	9.18	3.72	14.69	18.97	812.40	834.21	825.63	877.79
35	Textiles (16)	528.94	−5.5	11.90	4.36	9.72	15.15	559.91	559.92	541.33	536.88
40	OTHER GROUPS (87)	762.20	−3.1	11.40	4.65	10.93	20.88	786.22	795.34	786.47	797.61
41	Agencies (17)	895.86	−4.3	6.97	2.53	18.83	16.91	935.90	948.74	954.56	0.0
42	Chemicals (21)	943.03	−3.5	10.45	4.87	11.70	33.18	976.74	978.62	959.55	985.15
43	Conglomerates (13)	998.37	−3.6	10.30	4.68	11.11	22.33	1035.66	1052.36	1032.51	0.0
45	Shipping and Transport (11)	1535.32	−3.7	11.04	5.36	11.90	51.44	1594.25	1650.46	1655.55	1575.83
47	Telephone Networks (2)	821.00	−1.9	12.35	4.92	10.80	18.98	836.82	842.56	834.68	781.40
48	Miscellaneous (23)	1059.25	−3.1	14.17	4.44	8.41	33.20	1092.61	1105.75	1092.67	1141.80
49	INDUSTRIAL GROUP (483)	808.02	−3.1	10.25	4.23	12.29	21.08	833.57	844.63	834.30	850.59
51	Oil & Gas (17)	1526.51	−3.7	10.88	6.44	11.33	65.74	1584.53	1604.15	1581.22	1421.13
59	500 SHARE INDEX (500)	868.93	−3.2	10.34	4.56	12.13	24.93	897.24	909.83	897.63	898.78
61	FINANCIAL GROUP (120)	567.01	−4.5	−	5.49	−	20.62	593.73	597.05	583.23	611.85
62	Banks (8)	586.66	−3.1	22.75	6.64	5.81	25.98	605.72	605.27	577.39	667.06
65	Insurance (Life) (8)	821.53	−5.4	−	5.60	−	32.56	868.38	879.59	863.60	853.02
66	Insurance (Composite) (7)	453.21	−6.3	−	6.08	−	18.69	483.58	484.18	469.63	467.46
67	Insurance (Brokers) (8)	709.92	−4.7	15.64	8.07	8.18	38.19	744.84	767.57	784.35	1289.25
68	Merchant Banks (11)	331.19	−4.6	−	4.25	−	8.69	347.06	358.90	365.91	343.57
69	Property (49)	829.64	−4.2	5.85	3.57	22.04	16.77	866.74	864.47	854.31	797.13
70	Other Financial (29)	349.93	−5.5	10.27	4.60	12.37	11.27	369.33	373.71	368.61	392.98
71	Investment Trusts (88)	756.11	−4.2	−	3.29	−	15.94	789.32	798.49	791.30	828.15
81	Mining Finance (2)	344.15	−5.5	13.21	4.96	8.53	12.77	364.13	364.73	363.39	337.82
91	Overseas Traders (10)	834.34	−4.1	10.96	5.84	10.69	36.40	870.26	871.33	876.18	765.51
99	ALL-SHARE INDEX (720)	787.64	−3.4	−	4.67	−	23.48	815.66	824.90	813.85	820.36

	Index No.	Day's Change	Day's High	Day's Low	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Year ago
FT-SE 100 SHARE INDEX ♦	1565.2	−55.6	1590.0	1561.7	1620.8	1638.8	1600.1	1653.9	1723.7	1656.2

FIXED INTEREST

	PRICE INDICES	Mon Nov 9	Day's change %	Fri Nov 6	xd adj. today	xd adj. 1987 to date
	British Government					
1	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2	5-15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3	Over 15 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4	Irredeemables	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5	All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
	Index-Linked					
6	5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7	Over 5 years	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8	All stocks	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9	Debentures & Loans	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10	Preference	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	AVERAGE GROSS REDEMPTION YIELDS		Mon Nov 9	Fri Nov 6	Year ago (approx.)
	British Government				
1	Low	5 years	[illegible]	[illegible]	[illegible]
2	Coupons	15 years	[illegible]	[illegible]	[illegible]
3		25 years	[illegible]	[illegible]	[illegible]
4	Medium	5 years	[illegible]	[illegible]	[illegible]
5	Coupons	15 years	[illegible]	[illegible]	[illegible]
6		25 years	[illegible]	[illegible]	[illegible]
7	High	5 years	[illegible]	[illegible]	[illegible]
8	Coupons	15 years	[illegible]	[illegible]	[illegible]
9		25 years	[illegible]	[illegible]	[illegible]
10	Irredeemables		[illegible]	[illegible]	[illegible]
	Index-Linked				
11	Inflation rate 5%	5yrs.	[illegible]	[illegible]	[illegible]
12	Inflation rate 5%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
13	Inflation rate 10%	5yrs.	[illegible]	[illegible]	[illegible]
14	Inflation rate 10%	Over 5 yrs.	[illegible]	[illegible]	[illegible]
15	Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16		15 years	[illegible]	[illegible]	[illegible]
17		25 years	[illegible]	[illegible]	[illegible]
18	Preference		[illegible]	[illegible]	[illegible]

♦Opening index 1588.5; 10 am 1589.4; 11 am 1587.7; Noon 1576.0; 1 pm 1577.0; 2 pm 1578.4; 3 pm 1578.4; 3.30 pm 1569.9; 4 pm 1571.2

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls Jan.	Calls Apr.	Calls Jly.	Puts Jan.	Puts Apr.	Puts Jly.
Allied Lyons (*320)	300	48	58	67	15	[illegible]	[illegible]
	330	27	40	50	30	[illegible]	[illegible]
	360	12	27	40	48	[illegible]	[illegible]
Brit. Airways (*121)	130	15	20	25	20	[illegible]	[illegible]
	140	11	15	18	30	[illegible]	[illegible]
	160	5	12	13	45	[illegible]	[illegible]
Brit. & Comm.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Remaining option series (B.P., Bass, Cons. Gold, Courtaulds, Com. Union, Cable & Wire, British Gas, G.E.C., G.K.N., Grand Met., I.C.I., Jaguar, Land Securities, Marks & Spen., Brit. Aero, BAA, BAT Inds, Brit. Telecom, Cadbury Schweppes, Guinness, Ladbroke, LASMO, Pilkington, Plessey, Prudential, P. & O., Racal, R.T.Z., Vaal Reefs, Tr. 11¾% 1991, Tr. 11¾% 2003/07, Beecham, Boots, BTR, Blue Circle, De Beers, Dixons, Glaxo, Hanson, Lonrho, Midland Bk, Sears, Tesco, Trafalgar House, Thorn EMI, Unilever, Wellcome, Shell Trans., Storehouse, TSB, Woolworth, FT-SE Index): [illegible]

November 9. Total Contracts 30,159. Calls 17,028. Puts 13,131. FT-SE Index Calls 396 Puts 624. *Underlying security price.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Stock	Volume 000's	Stock	Volume 000's
ASDA-MFI	1,600	English China Clays	257	Plessey	7,900
Allied-Lyons	2,100	Enterprise Oil	1,300	Prudential	490
Amstrad	1,500	Fisons	836	Racal	2,600
Argyll Group	2,000	Gen. Accident	335	Rank Org.	874
Assoc. Brit. Foods	139	Gen. Elect	4,200	RMC	111
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	[illegible]	[illegible]	[illegible]
Corporations, Dominion and Foreign Bonds	[illegible]	[illegible]	[illegible]
Industrials	[illegible]	[illegible]	[illegible]
Financial and Properties	[illegible]	[illegible]	[illegible]
Oils	[illegible]	[illegible]	[illegible]
Plantations	[illegible]	[illegible]	[illegible]
Mines	[illegible]	[illegible]	[illegible]
Others	[illegible]	[illegible]	[illegible]
Totals	459	1,686	794

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

AUSTRALIA

AUSTRALIA (Continued)

HONG KONG

JAPAN

JAPAN (Continued)

SINGAPORE

SOUTH AFRICA

CANADA

TORONTO

Closing prices November 9

MONTREAL

Closing prices November 9

Indices

NEW YORK

NEW YORK ACTIVE STOCKS

LONDON – Most Active Stocks

TOKYO – Most Active Stocks

OVER-THE-COUNTER *Nasdaq national market, closing prices*

Continued from Page 51

LONDON Chief price changes (in pence unless otherwise indicated)

RISES:		
Treas 13¼% 2004-08	£130	+ 2⅜
Treas 2½% IL 2003	£106	+ 4⅛
Electr Rentals	84	+ 9
Jaguar	279	+10
Virgin Group	110	+10
FALLS:		
Amersham Intl	308	−62
Ashley (Laura)	94	−12
BOC Group	313	−17
BPB Inds	244	−14
Beecham Group	404	−21
Brit Aerospace	278	−12
Camford Eng	105	−17
Comm Union	283	−20
Cowie (T)	73	−12
Granada Group	241	−29
ICI	£10⅛	− ¾
Kleinw Benson	370	−35
Lloyds Bank	228	−17
Lon and Manch	195	−10
Morgan Grenfell	228	−15
PSO Feld	448	−25
Plaxtons (GB)	133	−19
Reuters B	454	−27
Royal Insurance	365	−33

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock		Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅞	14⅛	AAR	s	.28	2.0	19	77	18⅛	17½	18⅛	+⅛
32½	17½	AFG	s	.16	.7	8	631	24⅞	24½	24½	−¼
27	10½	AGS	s			13	272	15¾	14½	14⅝	−⅝
10½	6¾	AMCA					2	7¼	7⅛	7⅛	
9⅜	3¼	AM	Ind			43	2769	5⅛	4⅞	4⅞	−⅛
65½	29½	AMR				10	4819	35¼	34	34⅝	−⅞
27½	24⅞	ANR	pf	2.67	10.		z1	25¾	25¾	25¾	+½
12¼	6⅝	ARX	s			7	303	7¼	6⅞	6⅞	−¼
73½	34½	ASA		2a	4.3		1054	45⅝	45½	46¼	+1¼
22¾	9½	AVX				18	164	13⅝	12⅞	12⅞	−1⅛
67	40	AbtLab		1	2.2	17	5040	45⅞	45½	45⅝	−2¼
28	15⅝	Abitibi	g				12	17⅛	17	17	−⅛
16¾	9	AcmeC		.40	4.0	10	101	10¼	10⅛	10⅛	−⅜
10½	6⅝	AcmeE		.32b	4.3	25	12	7½	7⅜	7⅜	−⅛
23¼	16½	AdaEx		3.30e	19.		162	17⅞	17⅝	17¾	+⅛
19½	7¾	AdmM	s	.24	2.4	8	118	10⅛	9⅝	10⅛	
35	14⅝	AdvSys				17	643	27¼	25½	26⅝	−⅞
24⅞	9½	AMD					2365	10⅜	10	10⅛	−⅜
56¾	30½	AMD	pf	3	9.6		9	31⅝	31¼	31¼	−½
11⅞	4⅜	Adobe					194	5⅝	5¼	5⅜	+⅛
20½	15⅝	Adob	pf	1.84	11.		102	16⅞	16¾	16¾	−¼
21⅞	17	Adob	pf	2.40	12.		4	19⅝	19½	19⅝	+⅛

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NYSE COMPOSITE CLOSING PRICES

Continued from Page 50

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅝	6	OpnhCn1.35		17.		[illegible]	7⅞	7¾	7⅞	−¼
12½	5⅝	OrngCo			9	4	7	6⅞	6⅞	−⅛
39½	25	OranRk2.28		7.4	10	47	30	29⅝	30	+⅛
4	1⅞	Orient			5	62	1¼	1⅛	1⅛	−⅛
31	13⅝	OrionC	.76	5.3		[illegible]	14⅜	14¼	14⅝	−⅝
28¼	16½	OrionCpf2.12		12.		32	[illegible]	17½	17½	−⅜
19⅝	6½	OrionP			12	179	[illegible]	[illegible]	[illegible]	−⅛
12⅞	5¼	Orion pr	.50	7.1		[illegible]	7⅛	6⅞	7	
38	17⅛	OutbdM.64		3.4	7	[illegible]	19⅞	18⅞	19	−1
28½	15	OvShip	.50	3.0	12	147	16⅞	16⅝	16⅝	−⅛
32⅝	8⅞	OwenCo			2	[illegible]	14	13⅛	13¼	−¼
16⅝	8⅛	OxfdF s	.24	2.4	7	92	10½	10	10⅛	−⅛
19	10⅝	Oxford	.50	4.7	11	[illegible]	11¼	10⅝	10⅝	−⅝
		P Q								
49	26⅝	PHH	1.08	4.0	11	400	27⅝	27	27⅛	−⅜
51	26⅝	PNC	1.68	4.5	10	404	38	36½	37⅝	−⅞
53½	27½	PPG s	1.20	3.9	10	[illegible]	33	30⅝	30⅝	−2⅜
17⅝	13⅞	PacAS	1.54	10.		39	14⅝	14⅝	14¼	
27⅝	15	PacGE	1.92	11.	10	[illegible]	18¼	17⅞	17⅞	−¼
61¼	45⅝	PacLtg3.48		6.8	12	385	51⅝	51	51⅛	−½
17⅜	7½	PacRes	.15e	1.7	42	77	[illegible]	8⅞	8⅞	−⅜
27	19	PacRs pf	2	9.3		[illegible]	21⅞	21½	21½	
20¼	10⅝	PacSci	.40	3.4	18	57	11⅞	11¼	11¾	−⅛
[illegible]										
65	50	Xerox	[illegible]	[illegible]	12	[illegible]	[illegible]	[illegible]	57¼	−⅞
58¼	52⅞	Xerox pf5.45		10.		168	54½	54	54½	+½
31½	18⅝	XTRA	.64	2.8	16	30	23⅝	22⅝	22½	−⅜
28¼	19½	XTRA pf1.94		8.9		65	21⅞	21¾	21⅞	−⅛
33⅞	16⅞	Yorkin			9	17	22⅞	22⅝	22¾	+⅛
7¼	2¼	Zapata				331	3¼	3⅛	3⅛	
37	14⅝	Zayre	.40	2.0	7	4485	21⅛	19⅝	19⅞	−1⅞
16⅛	9⅝	Zemex	.40	4.3	6	6	9⅝	9⅝	9⅝	−⅜
39⅝	10	ZenithE				887	13⅝	12½	12¾	−⅝
13½	3⅞	ZenLab				510	4⅞	4⅛	4⅞	+⅛
26½	13½	ZeroNl	.80	5.0	5	80	16⅝	16	16	−¼
20⅝	11⅝	Zero	.36	2.6	14	282	14¼	13⅞	14	−⅞
30¾	15	Zurmin	[illegible]	3.6	12	148	18½	18⅛	18⅞	−⅜
10⅝	7⅝	Zweig	.65e	7.9		944	8½	8¼	8¼	−¼

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, closing prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 49

FINANCIAL TIMES
WORLD STOCK MARKETS

AMERICA

Dollar, budget continue to depress

WALL STREET

THE DOLLAR, bonds and stocks *drifted lower on* Wall Street yesterday as many investors took to the sidelines to await further developments, *writes Roderick Oram in New York.*

Bond prices slipped by about ⅛ of a point as the continuing decline of the dollar sapped some investors' confidence. Another negative factor was the Washington stalemate over budget cuts.

Stocks opened weakly and fell through the morning. Several feeble attempts to rally failed. The Dow Jones industrial average closed down 58.85 points at 1,900.20, only a few points above its intraday low.

Broad market indices also fell. The Standard & Poor's 500 lost 7.22 to 243.19 and the New York Stock Exchange composite index dropped 3.69 to 136.35.

The full resumption of programme trading resulted in only a handful of trades with negligible direct impact on the market. Some traders thought, however, that some small investors might have avoided the market yesterday, fearing a resumption of the volatility which characterised business during the October massacre.

Overall, NYSE trading volume was only 161.2m, its lowest level since before Black Monday, with declining issues outnumbering those advancing by a ratio of more than three-to-one. Traders said investors appeared to be waiting for spur, negative or positive, to persude them to buy or sell.

Foreign sellers, particularly European unit trusts disturbed by the dollar's continuing decline and Wall Street's inability so far to build a solid floor to stock prices, were noticeably active early in the session.

Takeover stocks were prominent among the few rising shares. Timeplex rose $1⅛ to $28⅛. The manufacturer of equipment for digital data transmission networks agreed to a takeover by Unisys on the basis of a one-for-one share swap. Unisys fell $2⅛ to $30⅛.

Other computer groups were generally lower. IBM fell $1⅛ to $118⅛, Digital Equipment lost $1½ to $132⅝, Apple slipped $⅝ to $22⅝, Hewlett Packard gave up $1½ to $49, and Cray Research was off $⅜ at $71.

Bell and Howell rose $5⅝ to $61. Mr Robert Maxwell, the UK publisher, has declared a 3.3 per cent stake in the publishing and information retrieval systems manufacturer. He joins a number of other suitors including Macmillan, the US publisher, which fell $1⅛ to $47½ yesterday.

Seaman Furniture surged $8 to $22¼ in the over the counter market. Kohlberg, Kravits, Roberts, the leveraged buyout specialists, said it would make a $26 a share offer for the company including shares held by the Seaman family.

CNW gained $5 to $25. The Chicago-based railway holding company has received a $30 a share leveraged buyout offer from Gibbons, Green, Van Amerongen.

SFX slipped $⅝ to $53⅛ while investors awaited further news about offers from the railway, energy and real estate group from Henley Group and the Reichman family of Toronto.

A. H. Robins dropped $2⅝ to $17. Signs are growing that it will have to pay out far more to women injured by its Dalkon Shield contraceptive device than planned in the takeover offer by Rorer. Rorer, down $1¼ to $35, has given no indication yet whether it will amend or drop its offer for Robins.

Other drug stocks were also sharply lower yesterday.

Credit markets drifted lower in quiet trading with a stalemate between bullish bond investors noting the renewed weakness of stocks and bearish investors worried about the long term implications of the dollar's unrelenting decline.

Short-term rates softened thanks to the downturn in stocks although the flow of money from equity into credit markets was minor compared with last month's deluge. Three-month Treasury bills were unchanged at 5.85 per cent.

By late afternoon bond prices were marginally lower with, for example, the Treasury's 8.75 per cent benchmark 30-year bond down ⅛ of a point at 100⅝ yielding 8.50 per cent.

The Federal Reserve did three-day system repurchases to add reserves to the banking system. The central bank's action was a shade more aggressive than expected but the Fed Funds rate at which banks lend reserves to each other barely moved from around 6¾ per cent.

CANADA

ALL MAJOR Toronto share groups fell sharply as the market trailed a steep early decline on Wall Street.

Mines and metal issues retreated on a wide front. Noranda dropped C$¾ to $20, Alcan Aluminium slumped C$1¾ to C$29⅞ and Cominco fell C$½ to C$12¼.

Gold issues sank broadly, with Lac Minerals C$⅝ down at C$9⅞ and International Corona falling C$¾ to C$45¾. Placer Dome also fell back C$¾ to C$15⅛.

Among energy issues, Shell Canada was C$1/2 lower at C$33¾, Texaco Canada C$⅝ off at C$25⅝ and Imperial Oil class A down C$2½ at C$57¾.

EUROPE

Exporters resume sharp downturn

INVESTORS in Europe anxiously awaited the outcome of talks by central bankers in Basle, hoping that some degree of dollar stability would halt the slide on stock markets. Blue chips continued to suffer from the weaker US currency and most bourses saw a quiet day as disheartened operators remained on the sidelines.

FRANKFURT slid sharply lower in as worries of a further drop in the value of the dollar prompted foreigners to sell West German shares.

The Commerzbank index shed 89.8, more than 6 per cent, to a year-low of 1,317.2 - the sharpest fall since the 7 per cent drop on the October 19. Most shares, however, ended off their session lows.

The dollar was fixed at a record low of DM1.6719 as the Bundesbank made no move to halt the decline.

Deutsche Bank suffered at 6.3 per cent drop to DM438 - a loss of DM29.50 - while fellow bank Dresdner lost DM11 to DM239 and Bayernhypo gave up DM22 to DM323.

Bonds firmed, however, as traders moved out of the lower stockmarket.

There was a favourable reaction to the launch of a new federal government bond, which yielded 6.31 per cent at issue with a coupon of 6⅛ per cent and a price of 100.50.

ZURICH followed Frankfurt sharply lower as worries about the US budget and trade deficits continued to weigh on the market.

LONDON

UNCERTAINTY over the direction of the dollar and world stock markets was compounded by the lack of firm news from the Basle meeting of central bankers, overall depressing London equities sharply.

The FT-SE 100 index closed down 55.6 at 1,565.2, while the FT Ordinary index lost 42.0 to 1,232.0.

Government bonds, though, performed strongly, with gains of a further 4 points in index linked gilts on remarks from the Chancellor of the Exchequer that he was prepared to cut interest rates further if necessary.

The Credit Suisse index shed 18.8 to 427.8, a drop of almost 4 per cent, to a new low for the year.

West German investors unloaded shares in banks, insurers and holdings. In major banks, UBS lost SFr180 to SFr3,520, Swiss Bank shed SFr20 to SFr378 and Credit Suisse declined SFr100 to SFr2,510.

Chemical shares were also hard hit. Ciba-Geigy declined SFr180 to SFr2,720 and Sandoz lost SFr600 to SFr10,000.

AMSTERDAM resumed its free-fall as export-led stocks took another battering on the continuing weakness of the dollar.

The CBS tendency index, closed down 4.8 at 61.6, a fall of 6.4 per cent to a two-year low. The weighted ANP-CBS general index, computed at mid-session, fell 10.7 or 5 per cent to 202.6.

With buyers scarce, most stocks widened their declines as the session progressed. the downturn accelerated after New York stocks opened lower.

In hard hit blue-chips, Akzo was down Fl 6 to Fl 88.00, KLM shed Fl 1.70 to Fl 27.70, Philips dropped Fl 2.70 to Fl 27.80, Royal Dutch fell Fl 6.50 to Fl 198.00 and Unilever slipped Fl 7 to Fl 98.00.

PARIS pulled itself off earlier lows, but falls were still steep in some sectors. The CAC index dropped 7.6 to 292.3, a fall of 3.85 per cent, after tumbling 4.5 per cent earlier in the session.

Recently-privatised Suez banking group was quoted for the first time since its sell-off. Trading opened at FFr261, well below the issue price of FFr317.

Leading blue chips were all lower, with Peugeot continuing its slide below the FFr1,000 level. It touched a low of FFr975 but recovered to close down FFr60 at FFr985. Thomson-CSF lost FFr16 to FFr765 and Michelin declined FFr12.90 to FFr210.

STOCKHOLM ended sharply lower as the lower dollar hit export-oriented stocks and forestry issues. Several blue chips posted double-digit losses, sending the Affaersvaerlden index 5.1 per cent lower to 658.0, its lowest level since January.

The market failed to take heart from lower interest rates and rumours that certain corporate taxes might be reduced.

Volvo dropped SKr17 to SKr257, Electrolux declined SKr8 to SKr 212 and Asea lost SKr13 to SKr302.

OSLO tumbled to its lowest level since April 1985 as concern mounted about the falling dollar and its effect on North Sea oil revenues.

The all-share index dropped 19.75 to 254.94 in low turnover as investors stayed away.

Norsk Hydro sank NKr21 to NKr143 despite announcing a dramatic increase in third quarter profits.

MILAN slumped to a new 1987 low as a heavy sell-off sent prices broadly lower and the MIB index dropped 3.84 per cent to 661.

Political tension in the coalition government over redrafting the 1988 budget and the threat of a general strike hung over the market and aggravated the nervous mood.

Blue chips suffered in the sell-off. Fiat fell L535 to L7,965, Montedison declined L108 to L1,430, Pirelli lost L101 to L3,470 and Olivetti drooped L210 to L4,810.

HELSINKI remained wary of developments on world markets and slipped quietly lower with blue chips continuing to be affected by the lower dollar. The Unitas all-share index closed 0.6 per cent lower.

MADRID was closed for a local holiday.

Belgian utilities ease the shock

INVESTORS in Belgian shares are taking flight to the country's local electricity boards in an attempt to insulate themselves against market shocks, *writes Willam Dawkins in Brussels.*

Utilities on the Brussels stock market have held up surprisingly well in the chaos inflicted by the world collapse in equity prices and the local uncertainty created by the resignation of Mr Wilfried Martens as Prime Minister.

While the market as a whole has lost more than 30 per cent of its value since its mid-August peak, Ebes and Intercom, the main electrical supply companies, have only lost 20 per cent of their value.

With their net yields of around 5.5 per cent, the big foreign institutional investors see them as a safe alternative to more price sensitive issues.

"When everything is slowing down, high yields and low growth are seen as the most prudent strategy," says Mr Patrick Vermeulen, an analyst at stockbrokers De Waay.

If utilities have withstood the shocks well, formerly highly rated Belgian retailers have been the hardest hit, with GB-Inno and Delhaize both down 45 per cent since the bull market's final mid-August fling.

The Brussels market's most distinguished casualty has been Societe Generale de Belgique, the country's biggest industrial and commercial holding company. Its shares yesterday languished at BFr2,310, a 45 per cent decline from their BFr4,200 peak in July.

The evaporation of earlier speculation that a bidder was about to pounce and the lukewarm reception given to the group's BFr8bn share issue have left Societe Generale as the market's unloved giant.

"Apart from Societe Generale, the market as a whole seems oversold," says Mr Marc de Brouwer, head analysts for stockbrokers Petercam. "You have fine industrial companies on price earnings ratios of five or six in good shape and easily able to maintain their dividends even in the event of a recession. That is not justified."

In that catgeory, he includes Solvay, the chemicals group, CBR, the cement producer and Galverbel, the glass maker.

Overall, the Belgian market stands on a p/e of almost 9.5, where the net yield is 4 per cent. The consensus among Brussels brokers is that it does not have much further to fall.

Mr Martens' resignation was prompted by his centre-right Government's inability to patch up an eccentric - but fundamental - language dispute involving the French speaking mayor of a Flemish area.

The crisis has, to the corporate sector's dismay, brought a halt to the Government's tax reforming and budget cutting efforts.

ASIA

Tokyo dragged lower on uncertain outlook for yen

TOKYO

THE UNCERTAIN outlook for yen-dollar exchange rates depressed buying and dragged down prices for the second consecutive session in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average slipped 218.64 from Saturday's close to 22,418.37. Turnover dwindled sharply from last Friday's 627.5m to 247.2m shares, the smallest this year, falling under the previous low of 357m shares registered on February 9. Declines swamped advances by 676 to 188, with 138 issues unchanged.

Individual and institutional investors kept a low profile as the dollar stayed low, hovering around Y134 all day on the Tokyo foreign exchange market.

For many investors, interest centred on the price movements of Nippon Telegraph and Telephone (NTT), with the Government scheduled to release its second lot of 1.95m shares priced at Y2.55m each. Yesterday NTT tumbled Y80,000 to Y2.64m on heavy late profit-taking.

Some investors are concerned the NTT sale will absorb Y5,000bn from the market and have a major impact on future price movements. Others, though, expect the dull market to regain strength through a successful issue rally firmly led by high-techs.

Among best performers was Chujitsuya, a supermarket chain operator, which firmed Y50 to Y1,150 and Nagasakiya, another supermarket chain operator, up Y180 at Y1,880.

Giant-capitals skidded lower across the board: Nippon Steel, the most active with 16.38m shares traded, eased Y4 to Y417 on small-lot selling. Kawasaki Steel Y3 to Y333, Nippon Kokan Y5 to Y335 and Tokyo Electric Power Y90 to Y6,610.

Bonds move widely in speculative trading mainly by dealers.

The yield on the bellwether 5.1 per cent government bond due in June 1996 plunged from last Saturday's 4.410 per cent finish to 4.130 per cent in morning trading on a push by a major securities company, triggered by expectations for the yen's continued rise and lower interest rates. It later soared and closed at 4.500 per cent on profit-taking.

The Ministry of Finance formally decided last Saturday to issue Y700bn worth of 10-year government bonds in November at a coupon of 5.0 per cent.

On the Osaka Securities Exchange, share prices dropped with export-oriented stocks leading the fall.

HONG KONG

DESPITE an easier opening, the day ended higher in Hong Kong as the flow of overseas sell orders slackened.

The Hang Seng index rose 25.64 to 2,139.31 as turnover *slipped from HK$1.3bn to* HK$1bn.

Trading was dampened ahead of the close of subscription to Cheung Kong's HK$10.3bn rights issue which is being sub-underwritten by many local institutions, normally the most active market participants.

Cheung Kong, the most active issue, gained 10 cents to HK$7.00 but was well below its rights issue price of HK$10.40.

Elsewhere among blue chips, Hutchison Whampoa eased 5 cents to HK$7.65 against an issue price of HK$11.20 and HK Electric added 15 cents to HK$7.45 compared with an HK$8.00 when issued price.

SINGAPORE

THE market remained subdued in Singapore where reports that the economy is expected to exceed previous growth forecasts were largely discounted.

Issues ended mixed after fluctuating narrowly throughout the session and the Straits Times industrial index rose 3.08 to 826.70.

Singapore Airlines added 5 cents to S$9.20, while bargain hunting among other blue chips sent DBS up a similar amount to S$9.05 and Genting 4 cents higher to S$4.18.

Seoul rises sharply as trading ban is lifted

SOUTH KOREAN share prices rose sharply in a busy session on the Seoul stock exchange after the Government moved to revitalise the market by lifting significant restrictions on trading, *writes Our Markets Staff.*

The Composite stock index surged 3.6 per cent on news of the government action, but closed off its highs on late selling to record [illegible] at 498.25.

The Government said it will allow brokerage houses, investment and trust firms and other institutional investors to resume buying of stocks, which had been prohibited since April 2 this year. It also announced a cut in the rate of trading commission paid by investors to brokers and said it was considering allowing 25 new brokerage houses to trade in Seoul.

Institutional share purchases were banned following government concern that the stock market was running out of control and needed reining in. Institutional investors were allowed only to sell those shares they already held. Private investors were unaffected by the ban.

Critics of the prohibition said it distorted trading by artificially lowering the prices of blue chips since companies were forced to sell shares to raise cash they would otherwise have been able to call on from market dealing.

Financial, insurance and car stocks led gains yesterday. Daishin Securities rose won [illegible] to won 20,300, Dongsuh added won 1,500 to won 43,100

Chris Sherwell in Sydney examines the divergence of prices for bullion and gold stocks

An implosion on the gold minefield

AUSTRALIAN gold stocks, down 57 per cent at the end of last week from their peak a mere seven weeks earlier, have lost more ground than the market as a whole because they were previously over-bought, according to broking analysts.

But in the wake of the world-wide share crash, analysts show little agreement on whether gold shares still have some way to fall or have now come to represent good value.

In thin trading yesterday, Australian markets improved marginally from their Friday close, when they fell to a 13-month low. The All-Ordinaries index was up 13.4 points to 1,250.9, while the gold index, covering 44 companies, rallied 33.7 points to 1,824.7.

For gold shares this is a small shift compared to the movements of the past three weeks. While some gold shares have been harder hit than others, none has been spared.

Of the big producers, Western Mining stood at A$4.97 yesterday, down from its September peak of A$12.00. Kidston was at A$4.10, down from a high of A$10.10, and BHP Gold was at 91 cents, down from A$1.90.

Among the smaller groups, Elders Resources dropped to A$1.35, having reached a high of A$5.78 and Poseidon slid to A$2.65, down from A$16.20.

The rapidity and severity of this plunge in gold shares has stunned everybody. At its peak on September 21, the gold index stood at 4,132. However, there is no doubt that its meteoric rise was just as remarkable: in May 1986 the index stood at just 826.

Both trends have been sharper than those in the market generally. They have also raised questions about the link between bullion prices and gold share prices. On the way up, gold stocks were widely seen as the easy way into bullion. With the share crash, though, the two have parted company.

On October 19, bullion was above US$481 at a 4½ year high. It has since gyrated, moving down to US$466, back up to US$480 and, last Friday, back to US$456.

Although the trend appears down, the fall is far less than that suffered by equities. The decline suggests that general worries about inflation built into the bullion price before the crash have since been removed because of fears of a recession.

Either way, bullion prices have remained more constant in Australian dollar terms because the Australian currency has weakened from more than 72 US cents to around 68 US cents.

For Australian gold shares, however, the story is very different. Last year, the weakness of the Australian dollar, coupled with the helpful absence of corporate taxes on gold mining companies, helped Australian gold shares put on their astonishing gains.

These two factors transformed the economics of gold mining, putting production costs well under half the bullion price. When international investors recognised there was a semi-official floor under the Australian currency, capital flooded in to the Australian market and in particular into gold stocks.

On top of this, gold also looked generally attractive because of worries about Third World debt, South Africa's political troubles and concerns about a resurgence of inflation.

Now, in the wake of the share-market collapse, bullion still looks relatively attractive and the economics of production more than satisfactory, but gold shares have plummeted.

The reason, say the analysts, is that they were overbought. Shares were valued on the assumption of an increasing gold price, and investors focused on earnings two or even more years into the future.

"With the crash, people expected the bullion price to continue rising. That hasn't happened," says one broker. "Many share prices were based on projects which were only to come onstream in a couple of years' time. *Even* now there's some blue sky on share prices. I think gold shares have further to fall."

But Dr Ian Story, senior resources analyst at BZW Meares, is convinced the fall is overdone. "Gold shares now offer the best value in town. The big mining stocks were on price-earnings ratios of 30 to 50 - far too high. They were driven by overseas buying to unsustainable price levels.

"Now these are back to more realistic levels of around 15, and the second string mining stocks are even lower, around five. As for the explorers, they do have problems - they offer nothing but hope."

In their flight to quality, Dr Story adds, fund managers in Europe and the US have left the Far East, which they regard as high-risk.

Analysts say another contributing factor to the sharp fall in gold shares lies in the Australian market itself. When investors have needed cash, they have found in Australian gold stocks both the liquidity and volume they need.

SOUTH AFRICA

GOLDS rallied in Johannesburg as investors grew confident that the world bullion price will strengthen.

The all-gold index gained 69 points to end provisionally at 1,586 while the overall index rose 73 to 1,804.

But some brokers noted that the nervousness and downtrend were still in evidence and were doubtful that the recent sell-off had ended.

Randfontein advanced R20 to R300, Vaal Reefs gained R11 to R308 and Southvaal R12.50 to R156.50.

Among lower priced gold issues, Driefontein ended R2 higher at R67 and Harties rose R1.75 to R23.25.

Diamond share De Beers was R1 up at R31.50, while in the platinum sector, Impala advanced R2.50 to R31 and Rustenburg gained R2.25 to R31.25.

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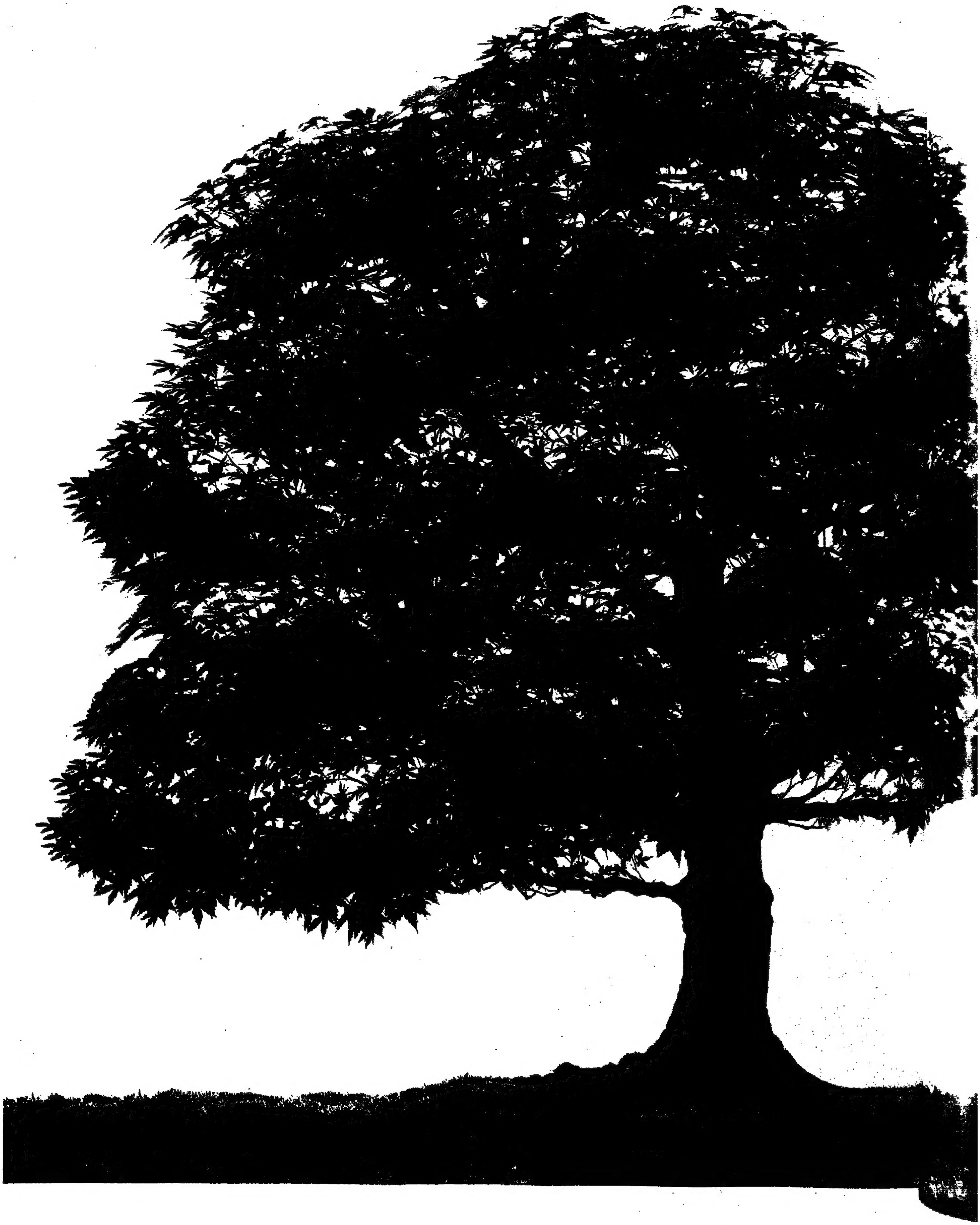
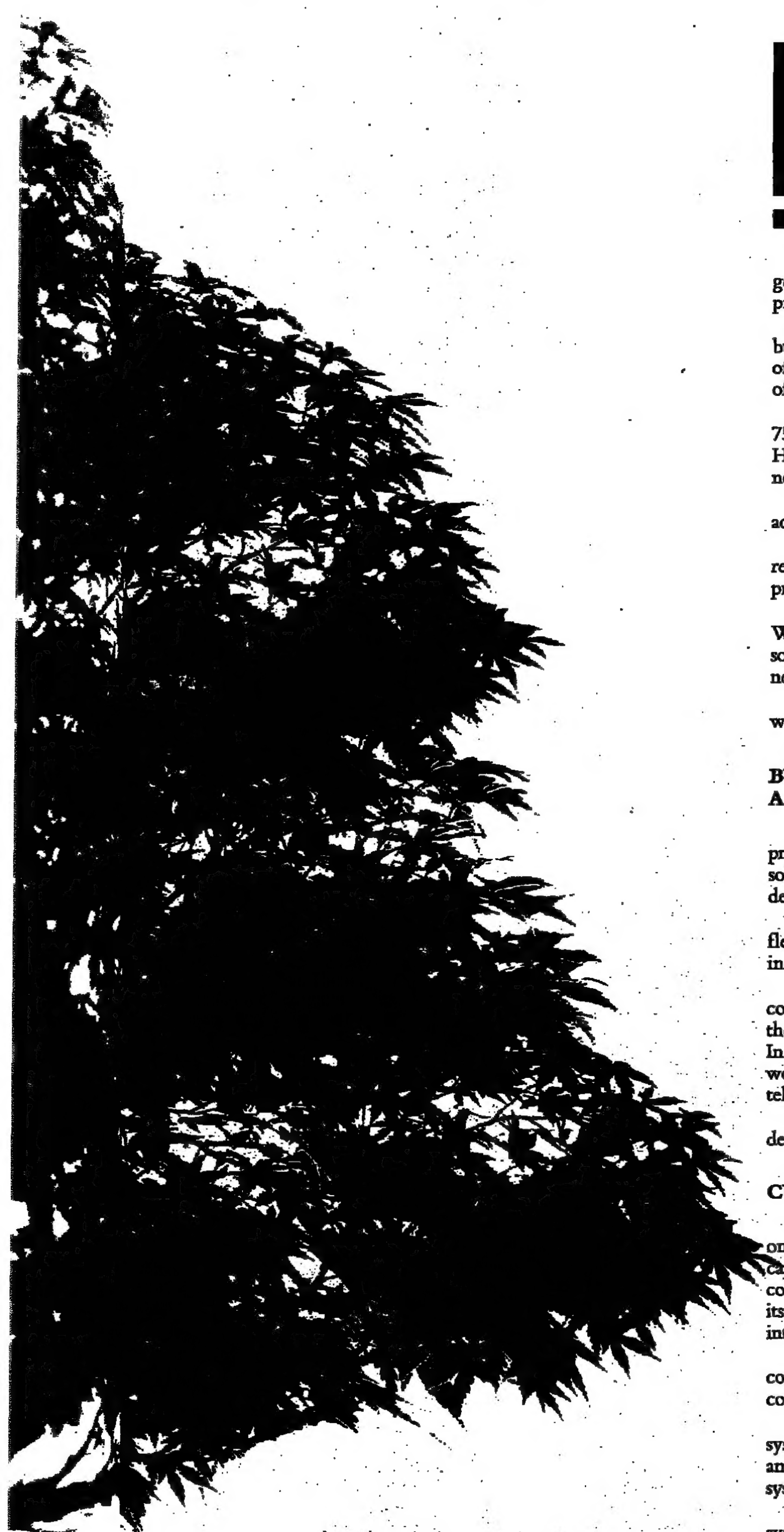


هكذا أمن التأمل

هكذا مع التأصل



THEN WE LET NATURE TAKE ITS COURSE.

In 1919 Fredrik R. Bull started with the seed of a good idea. To produce a more efficient statistics processing tabulator.

Nearly seventy years later Groupe Bull is in the same business of data processing and communications. Though of course, the business now is light years away in terms of sophistication, innovation, application and breadth.

Bull is now an international business, operating in 75 countries with 26,800 employees (without counting Honeywell Bull Inc.). And it is the second largest sales network in the world.

This remarkable success hasn't happened just by accident. It has taken careful nurturing.

In particular the last three years leading up to the recent agreement with Honeywell and NEC have proved the most fruitful.

We knew then that we had a unique opportunity. We could provide the market with a genuine alternative source for all their data processing and communication needs.

But to do this we needed support. It was then that we hit on the solution. A very simple formula.

BULL AND ITS CUSTOMERS A WINNING TEAM.

By working with our customers on their individual problems, together we could not only produce adequate solutions, but also we would benefit from having a deeper understanding of the market needs.

So the first objective was for Bull to become flexible enough to be able to respond effectively to the individual needs in an international market.

To achieve this we decided to develop inter-communicating systems that were not only adaptable in the extreme, but that respected our customers' freedom. In other words, systems that would allow any individual workstation to plug directly into other data processing, telematic or office automation services on the system.

Everything that we have done for years in terms of development has been done in line with this strategy.

CUSTOMERS' FREEDOM.

The competitiveness of a company today depends on the quality of its people and the uses made of its capital of information. By developing systems that can communicate more freely with each other, Bull brings its customers more efficient circulation of, but also interaction with, their total capital of information.

For Bull's customers, this greater freedom to communicate means greater freedom to choose, to combine and, ultimately, to grow.

Freedom to choose among large and medium systems, among scientific and industrial minicomputers, among distributed data processing and office automation systems, among professional micro-computers.

Freedom to combine, allowing Bull's products and systems to be integrated into existing structures, even those made with material from other manufacturers.

Freedom to grow, because Bull is dedicated to adapting itself and its solutions to the evolution and growth of its customers.

THE TREE OF COMMUNICATION.

To symbolize Bull's commitment to communication, growth and flexibility, the tree was a natural choice. Constantly evolving, with its roots in solid ground and its branches reaching for the sky, the tree is present throughout the world, in as many shapes and sizes as there are businesses and organizations.

Small trees, like small systems, need to be nurtured in order to grow. And as they grow, circulation, be it of information or of life-giving sap, is of the utmost importance.

To do this, the tree must draw on all the resources in its environment. The larger the tree – or the system – grows, the more it must communicate, interact and exchange, across time and across space.

This growth happens naturally, but not always predictably, and it is Bull's strength to have understood that companies need the freedom to expand in a way that is germane to their specific concerns and needs.

HONEYWELL BULL INC.: A NEW DIMENSION.

Growing out of our aim to put Groupe Bull at the forefront of the world computer market by 1990 was our agreement with Honeywell and NEC to form Honeywell Bull Inc.

This not only gives us the complete spectrum of computer hardware and software we need for the benefit of our customers. But it will also add considerably to our detailed understanding of the global market, and give us a worldwide presence and size to face market requirements.

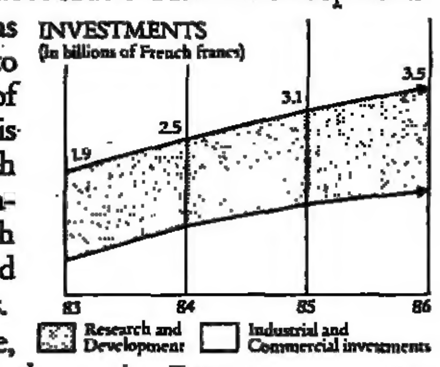
For Groupe Bull, control of Honeywell Bull Inc. is furthermore an outstanding opportunity to complete its European presence and gain access to the US market by benefiting from the close ties established between Bull's teams and those of Honeywell over the past 17 years.

In the light of this agreement, the expansion of co-operation with the Japanese group NEC is in keeping with Bull's strategy of alliances in which it is presently engaged with European industrialists.

PREPARING THE GROUND FOR FUTURE GROWTH.

Heavy commitment to a continuing program of research has to be at the root of all our future developments.

Our program is as deep as it is broad to give us the strongest of foundations. And it is carried out in line with our strategy of cooperation in partnership with both university and industrial laboratories.



So, for instance, in conjunction with other major European computer companies, we are exploring the area of artificial intelligence and the products that can be developed from it.

We are involved with our customers to help them improve the efficiency of the software they have developed themselves.

We are part of a consortium that has developed the software now adopted by the European Esprit program.

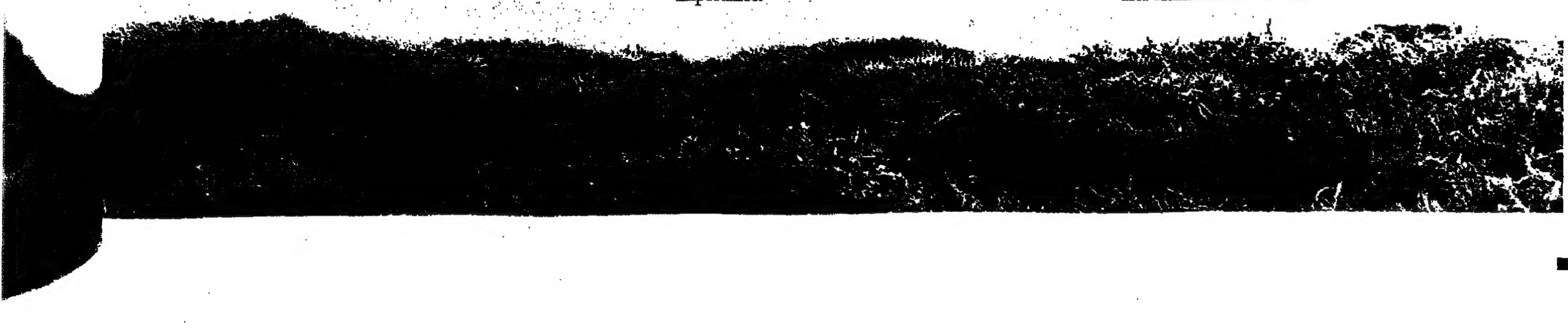
In fact, on the Esprit program alone, we are participating in over thirty projects with more than a hundred different partners in industry and the universities.

FRUITS OF PROGRESS.

True to its goal to remain in the vanguard of technological innovation, Bull is constantly seeking out new and better ways to meet its customers' information processing needs. Examples of this commitment to developing solutions are to be found in the products Bull has recently introduced.

In the area of general purpose data processing, for instance, Bull's new DPS 7000 midframe computers are a case in point.

The result of an ambitious program of research and development, Bull DPS 7000 is a departmental system which combines versatility with ease of operation. Already, it has gained the respect and admiration of computer professionals the world over. As a matter of fact, the Bull DPS 7 range of systems was given top ranking in the 1987 Datapro Research Corp. report on user satisfaction in the U.S.



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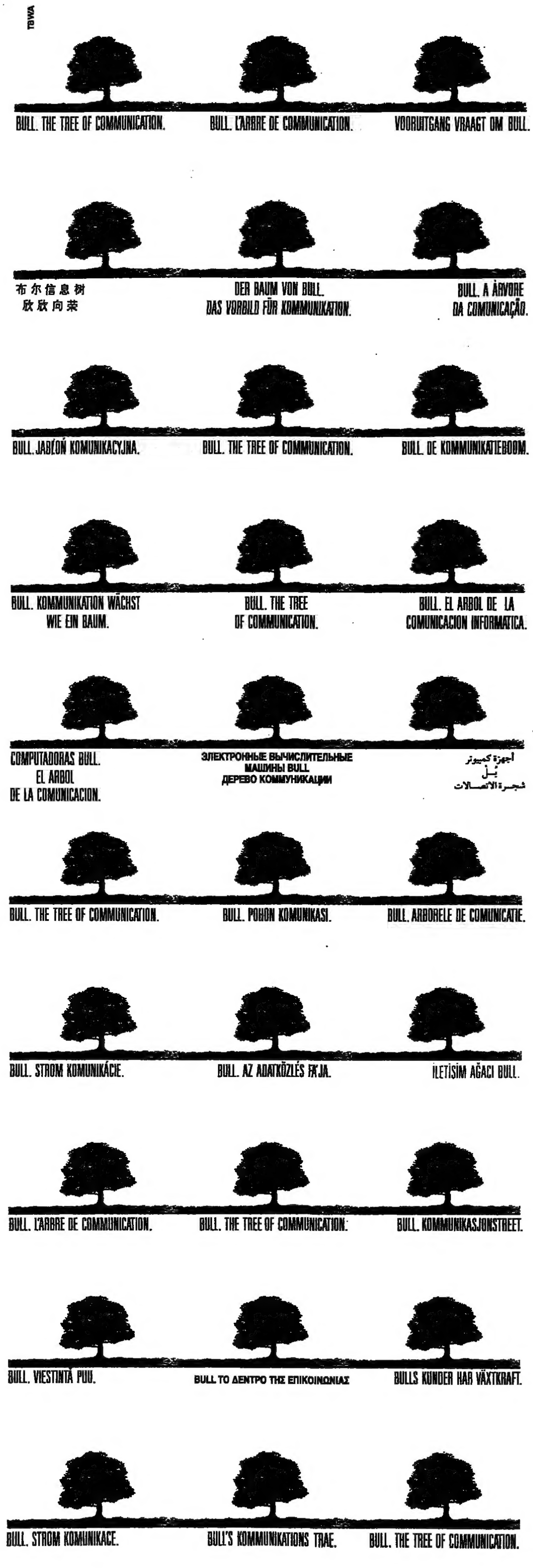


NOW WE'RE SPRINGING UP ALL OVER THE WORLD.

Or, in the area of minicomputers, the new Bull DPS 6 Plus is a state of the art product particularly well suited to the fields of communication, office automation and telematics.

The Bull DPS 6 Plus not only represents a giant leap forward in terms of flexibility and ease of use, but is specifically designed for the rapidly evolving concerns and needs of its users. In this, it embodies one of Bull's key precepts: continuity through adaptability.

On a somewhat different – but no less important – scale, Bull has developed the Bull CP8* electronic micro circuit card.

With its indelible logic memory and microprocessor, the Bull CP8* card can be used to control access to central computers and data bases, while protecting the privacy of data transmitted over public and private networks in remote data processing and telematic applications.

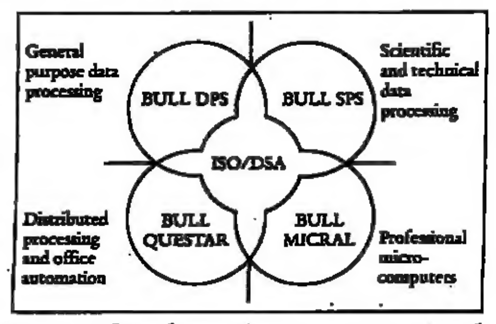
Already in use as a means of electronic payment, the Bull CP8* card also provides the possibility of creating portable individual files, containing personal and confidential data.

With these products and others, Bull is steadily and continually branching out into the future.

* Innovatron Licence patent.

BRINGING IT ALL TOGETHER.

Not only present but vitally active in the four main areas of information processing, Bull has amply proven its ability to come up with creative, coherent and relevant solutions. Whether it be general purpose data processing, scientific and technical data processing, distributed processing and office automation or professional micro-computers, Bull offers well-rounded ranges of products to its customers.



Like the branches of a tree, these four areas couldn't exist coherently without a system of circulation, enabling them to work together within a single network of information. Bull's ISO/DSA network architecture does just that.

Developed in line with international standards, ISO/DSA is designed to allow the various systems to communicate within homogeneous or mixed networks.

This is just one more way that Bull guarantees its customers freedom of choice. With ISO/DSA, from the smallest network up to the largest, smooth evolution is ensured, even with structures involving elements built by other manufacturers.

At Bull, we've understood that intercommunication is what holds a sound information processing system together.

TRAINING FOR MORE FRUITFUL RESULTS.

In one way, our business is all about intelligence. And that is a human ability which is totally dependent on the quality of our international staff. A team of 26,800 men and women.

We believe the more we help these individuals develop their talents, the more we encourage them to cooperate and to work as a team, the more it will benefit our customers, ourselves and our staff.

To this end, Bull created a special quality control division in order to ensure no-fault performance at every level of the group's operations. Each of Bull's 26,800 employees, from the receptionists right up to top management, has taken an extensive quality training program to guarantee Bull's customers complete satisfaction, whatever their specific needs or requests might be.

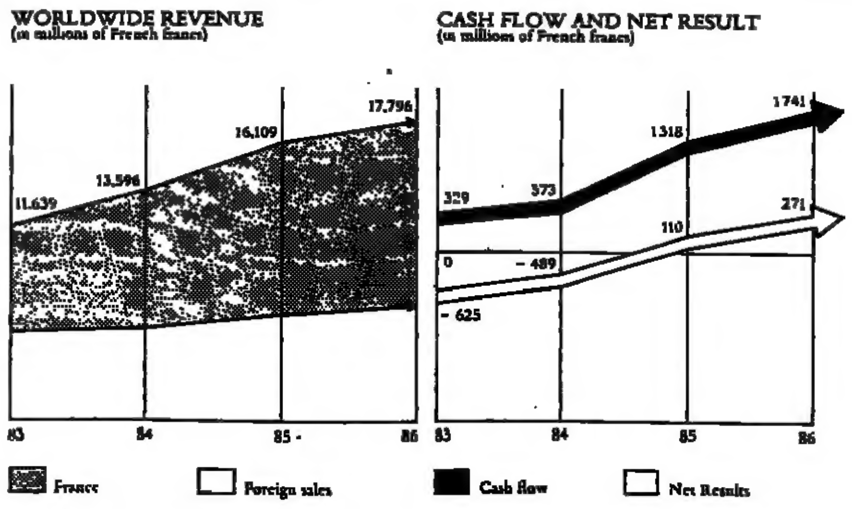
As we believe so strongly in working in partnership with our customers, we carry out a multinational annual survey of customer satisfaction with the aim partly to correct any faults in our services, but mainly so that we can anticipate any changes in their needs.

THE SWEET SMELL OF SUCCESS.

The policies which were first implemented en 1983 are beginning to bear fruit. The financial situation continued to improve during 1986. Net profit was up more than two and a half times over the previous year: FF 271 million in 1986 compared to FF 110 million in 1985.

Revenue was also up, 10.5% to FF 17.8 billion, including FF 6.1 billion realised outside France.

Cash flow represented 9.8% of revenue and was up to FF 1,741 million in 1986 against FF 1,318 million in 1985.



Bull and its customers indeed form a winning team.

Bull. The tree of communication.

Bull